

# HARTFORD

INNER CITY BUSINESS STRATEGY INITIATIVE

CREATING JOBS, INCOME, AND  
WEALTH FOR INNER CITY RESIDENTS

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## **INNER CITY BUSINESS STRATEGY**

**CREATING JOBS, INCOME, AND WEALTH FOR  
INNER-CITY RESIDENTS**





On behalf of the Hartford Advisory Board, I am proud to present Hartford's action plan for inner-city business development.

The strategies described in this document are the result of a powerful partnership between Hartford's business leadership, the City of Hartford, and Hartford's many dedicated nonprofit community organizations. I would like to thank Mayor Peters in particular for his strong support of the project.

Through this powerful partnership, Hartford leaders have identified new opportunities to tackle the complex issues of inner-city revitalization. Hartford's action plan identifies key strategies for inner-city business growth, entrepreneurship, and employment in six of our strongest industry clusters: financial services, commercial services, retail, heavy construction, transportation/import-export, and health services/medical devices.

This effort to boost business development in Hartford's inner city comes at a critical time. A strong state and national economy, coupled with significant progress and momentum in Hartford's own revitalization, create a window of opportunity to broaden the reach of economic prosperity.

Through continued commitment and collaboration, the innovative strategies outlined in this report can lead to measurable business growth and job creation in Hartford. With your support we can move farther than ever before toward providing all Hartford residents with opportunities for stable employment and entrepreneurship.

Sincerely,

A handwritten signature in dark ink, appearing to read "Arthur C. Marquardt". The signature is fluid and cursive, with a large, stylized "A" and "M".

Arthur C. Marquardt  
Chairman, President & CEO, CTG Resources, Inc.  
Hartford City Champion

# ACKNOWLEDGEMENTS

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We would like to gratefully acknowledge the leadership and generous commitment of time, energy and resources of all of the following:

- Governor Rowland and the leadership of the Connecticut General Assembly
- The Honorable Michael Peters, Mayor, City of Hartford
- Governor's Council for Economic Competitiveness and Technology
- The Connecticut Department of Economic and Community Development and the Department's Industry Cluster and International Division
- Andersen Consulting, which contributed all services pro bono
- The Initiative for a Competitive Inner City
- Connecticut Economic Resource Center, Inc. (CERC)
- Hartford City Council
- Hartford Inner City Business Advisory Board
- Hartford Inner City Research Team
- Hartford 2000
- The Growth Council
- Metro Hartford Chamber of Commerce
- The Millennium Group
- Brody & Weiser
- Citizens Research and Education Network
- Rensselaer Polytechnic Institute
- University of Connecticut
- Hartford inner-city business owners and community leaders who contributed valuable information through interviews

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# I. EXECUTIVE SUMMARY

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The mission of the Hartford Inner City Business Strategy Initiative is to increase wealth, income, and employment opportunities for Hartford inner-city residents by:

- Capitalizing on the opportunities for inner-city business growth
- Alleviating barriers to inner-city business growth
- Linking inner-city residents to jobs in the region

To do this, the Initiative has targeted recommendations that will help to build **competitive urban businesses, develop competitive residents, and create a competitive city.**

While housing, education, and infrastructure are important in developing inner cities, the Initiative uniquely focuses on business development. This approach is built on the inner-city revitalization approach developed by the Initiative for a Competitive Inner City (ICIC), a not-for-profit organization founded by Harvard Business School Professor Michael Porter. ICIC served as an advisor to Hartford and the State of Connecticut throughout the project. The ICIC approach uses business cluster analysis as a tool to identify opportunities for private, for-profit business development in inner-city areas, based on an area's competitive advantages and disadvantages. A business cluster is a geographic concentration of interconnected companies and institutions in a particular industry.

Based on a careful analysis conducted as part of this Initiative, the key business clusters that will drive growth in jobs, income, and wealth in inner-city Hartford are:

- Financial services/information technology
- Health services/medical devices
- Heavy construction
- Transportation/import-export
- Retail

The study developed a detailed analysis of the competitive advantages and disadvantages of an inner-city location for each of these business clusters. Based on this analysis, the Advisory Board of the Hartford Inner City Business Strategy Initiative developed the following recommendations for accelerating business growth and achieving the goals in the Initiative's mission statement.

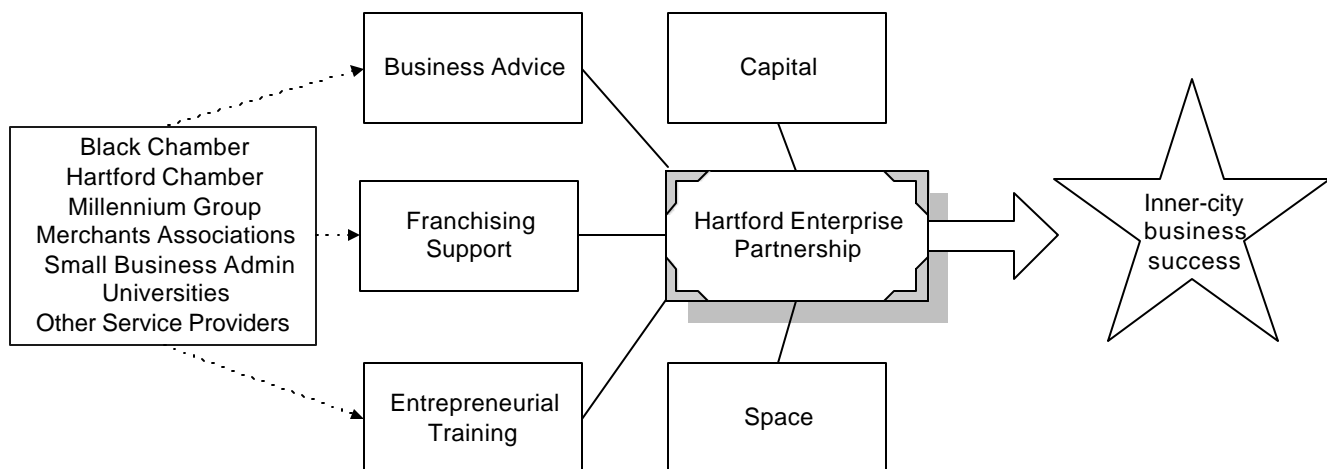
## Key Recommendations for Hartford

### ***Build Competitive Urban Businesses***

- **Create a business development group – the Hartford Enterprise Partnership (HEP) – that will accelerate the development of new and/or growing businesses in inner-city locations.** HEP will
  - Coordinate the provision of business advice
  - Provide incubator space and shared services
  - Link businesses to equity and debt capital sources
  - Expand commercial services franchising
  - Link businesses to entrepreneurial education and training
  - Assist in creating a comprehensive neighborhood retail development strategy

HEP will work with existing business service providers, to bring new funding to the table and to develop a business support process that is customer-driven, focused, and integrated.

**Diagram of Hartford Enterprise Partnership Providers, Services, and Customers**



### ***Develop Competitive Residents***

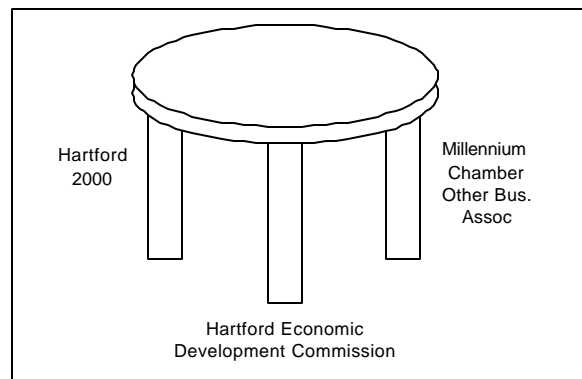
- **Provide additional funding to expand job retention services, and comprehensive work-readiness and self-sufficiency programs.** Hartford already has demand-driven skills training programs, which are successfully preparing residents for jobs with a future. The Advisory Board recommends leveraging this existing resource by providing additional funding for job retention services that can dramatically improve performance and decrease attrition on the job. In addition, the Advisory Board recommends that retention services be provided as part of comprehensive job readiness and self-sufficiency

programs, which teach the basic skills and the familiarity with the world of work needed to succeed in these skills training programs and on the job.

## ***Create a Competitive City***

- **Market Hartford's business opportunities.** The Advisory Board recommends that a small team of professionals be brought together to develop compelling data and case examples demonstrating the benefits of doing business in Hartford, with a particular focus on inner-city locations. These advantages should be marketed not only to executives in the identified cluster industries, but also to the general public, whose perceptions and misperceptions of the city are impediments to economic development.
- **Improve municipal services.** In addition to marketing Hartford, the Advisory Board recommends that Hartford City government work to improve its delivery of city services, especially its permitting process. The Advisory Board strongly supports the recommendations contained in the City of Hartford Action Planning Report, prepared by the Public Strategies Group, July 18, 1997 (often referred to as "the Osbourne Report"). This report, commissioned by the City of Hartford, recommends that the city adopt a performance measurement and management system, define accountability for city agencies, develop a one-stop permitting process, and develop a public-private partnership for economic development.
- **Increase the stability of the economic development system by providing funding for Hartford 2000 and the Hartford Economic Development Commission.** The economic development system can be thought of as a three-legged stool, represented by business, the community, and the city government. All three legs are present in Hartford, but each needs to be strengthened and the coordination among them enhanced.

Hartford 2000, which provides an important channel for the voice of the community, needs funding for its core staff and activities. The Hartford Economic Development Commission, which represents the city government, has been established but also needs stable core funding. The corporate community has several important groups working on economic development, such as the Millennium Group, the Growth Council, and the Chamber of Commerce. These groups must continue to work together closely to ensure that the economic development process is not fragmented.



# Key Recommendations for Connecticut

## ***Increase Equity Investments***

- **Create the enabling environment for investments in the inner city.** Limited access to capital, particularly equity capital, is a critical barrier to growth for many inner-city businesses. To address this, public and private sectors should work together to:
  - Develop a media campaign that highlights successful businesses in inner-city locations
  - Provide state tax credits for equity investments in the inner city
  - Support the creation of a privately managed equity fund targeted at investments in the inner city

## **Investment Required**

The total investment required for the implementation of the Advisory Board's recommendations is approximately \$2 million to \$3 million per year in public and private funding over a three-year period.

## **Proposed Objectives for 2000-2003**

The recommendations will spur development of businesses in Hartford's inner city, create new jobs and new opportunities for increasing income and wealth, and improve the skills and knowledge of residents. The recommendations will also help to change the perception of residents and business investors about the opportunity for business growth and wealth creation in the inner city. Specific objectives proposed for the next three years include the following:

- **Build Competitive Urban Businesses**
  - Hartford Enterprise Partnership
    - Convene a four-month planning process to create the structure, standards, and measures of success for HEP
    - Provide year-long strategic consultations to 30-45 businesses; provide workshops to 300 businesses; assist 100 businesses to integrate e-commerce into their operations
    - Serve 60 businesses in incubator space
    - Assist 30-45 businesses to obtain loans or other forms of financing
    - Link 20-30 businesses to major franchises
    - Train 150 students in semester-long entrepreneurial education courses
    - Develop portfolio analyses for two to three neighborhoods; attract one major retail store or improve the performance of existing major retail store; help 10-15 inner-city retailers successfully start or expand retail establishments; create 50-100 jobs in inner-city neighborhoods
    - Establish a joint purchasing cooperative to serve 20-40 retail businesses

- **Develop Competitive Residents**

- Convene a four-month planning process to create the structure, standards, and measures of success for funding for job readiness and job retention services
- Fund job readiness, job training, and self-sufficiency organizations to provide job retention and comprehensive job readiness services to 100-150 residents per year
- Fund the provision of training and technical assistance in community and economic development
- Provide one-and-one-half-day workshops to 150 residents each year
- Provide a 10-week training program to 25 residents each year

- **Create a Competitive City**

- Market Hartford
  - Attract 30 new small to medium-sized businesses to Hartford, thereby creating 200 new jobs
  - Encourage 30 businesses to remain or grow in Hartford, thereby retaining or creating 200 jobs
- Improve municipal services
  - Reduce permitting time significantly (targets to be developed by the Advisory Board in conjunction with Mayor, City Council, and City Manager)
  - Improve business satisfaction significantly (targets to be developed by the Advisory Board in conjunction with Mayor, City Council, and City Manager)
- Increase access to transportation
  - 1,000 additional individuals served by Jobs Access program each day

- **Build a Competitive State**

- Create an enabling environment for investments
  - New equity investments in 40-50 inner-city businesses across Connecticut, as monitored by the Department of Economic and Community Development

## Implementation Tasks and Timeline

Recommendation	Timing	Estimated Costs
➤ Build Competitive Urban Businesses		
• Conduct planning process to create Hartford Enterprise Partnership; retail strategy	4/2000 – 8/2000	\$50,000 for HEP planning; \$50,000 for retail planning
• HEP implements Board recommendations	9/2000 – 12/2003	\$500,000 - \$750,000/year for staffing; \$320,00 - \$420,00/year for rent
➤ Develop Competitive Residents		
• Conduct planning process for job retention services and economic literacy	4/2000 – 8/2000	\$50,000 for planning; \$250,000/year for job retention services; \$50,000/year for community education
• Implement funding and training recommendations	9/2000 – 12/2003	
➤ Create a Competitive City		
• Market Hartford	9/2000 – 12/2003	\$500,000 - \$700,000/year
• Improve municipal services	4/2000 – 12/2003	Under discussion
• Increase access to transportation	9/2000 – 12/2003	\$468,000/year
• Core funding for economic development system	9/2000 – 12/2003	\$100,000/year
➤ Build a Competitive State		
• Create an enabling environment for investments	9/2000 – 12/2003	\$50,000 for initial planning; additional costs under discussion

## II. INTRODUCTION

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### **Mission Statement**

The mission of the Hartford Inner City Business Strategy Initiative is to increase wealth, income, and employment opportunities for Hartford inner-city residents by:

- Capitalizing on the opportunities for inner-city business growth
- Alleviating barriers to inner-city business growth
- Linking inner-city residents to jobs in the region

The Hartford Inner City Business Strategy Initiative's recommendations also will help to improve the perception of residents and business investors about the opportunity for business growth and wealth creation in the inner city.

### **Advisory Board and Research Team**

The Hartford Inner City Business Strategy Initiative was directed by an Advisory Board composed of representatives from every part of Hartford. The Advisory Board was led by City Champion Arthur C. Marquardt, President & CEO of CTG Resources Inc., and supported by the Department of Economic and Community Development. The Advisory Board oversaw the work of the Research Team.

The Research Team was directed by Project Managers Heather Espinosa and Nina Villegas of Andersen Consulting. Andersen Consulting provided pro bono research and project management services for the project. The Research Team included representatives from (in alphabetical order) the Citizens Research Education Network, the Connecticut Economic Resource Center, Inc. (CERC), the Growth Council, Hartford 2000, Inner-City Business Insights, the Merchants' Associations, Rensselaer Polytechnic Institute (RPI), and the University of Connecticut. A complete listing of all the members of the Advisory Council and the Research Team can be found in Appendix A.

Brody & Weiser assisted the Advisory Board to formulate the recommendations and prepare this Final Report. The structure of the Advisory Board and Research Team is detailed in the chart on the next page.

## Advisory Board and Research Team Structure

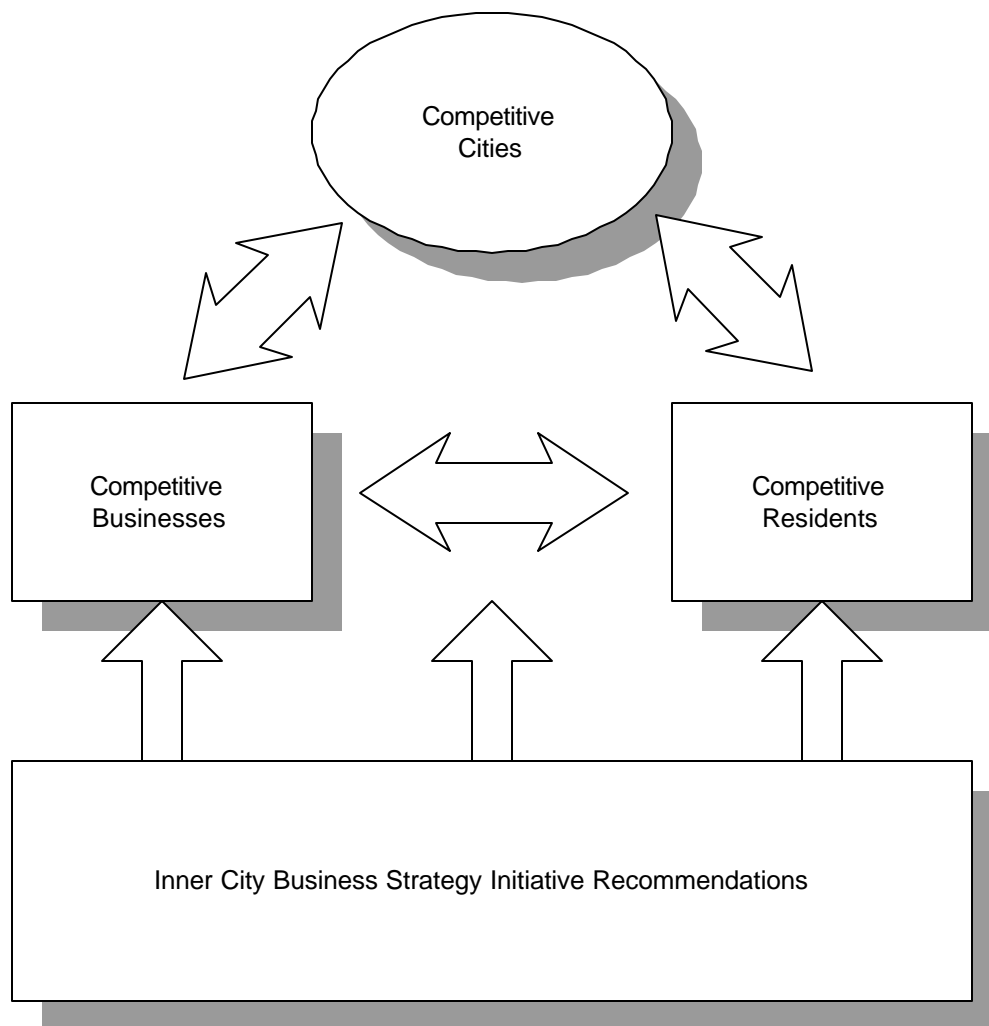


\* Some organizations played multiple roles

## Recommendations Overview

The Advisory Board's recommendations can be divided into three major groups: building competitive urban businesses, developing competitive residents, and creating a competitive city. Each of these major groups is discussed in a separate section below. The recommendations are inter-related: recommendations that help to build competitive businesses will help to create more opportunities for residents; recommendations that help to develop competitive residents will help to create more competitive businesses; and so on. All of the recommendations flow from the analysis of business clusters. They are designed to leverage the competitive advantages of an inner-city location and reduce the competitive disadvantages. The report presents the Advisory Board's detailed recommendations in sections III-V. The economic research and analysis of business clusters follows in sections VI-IX. The chart below gives a graphic representation of how all the parts of the analysis fit together.

**Diagram of Inner City Business Strategy Initiative Recommendations**





### III. BUILD COMPETITIVE URBAN BUSINESSES

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#### Create the Hartford Enterprise Partnership

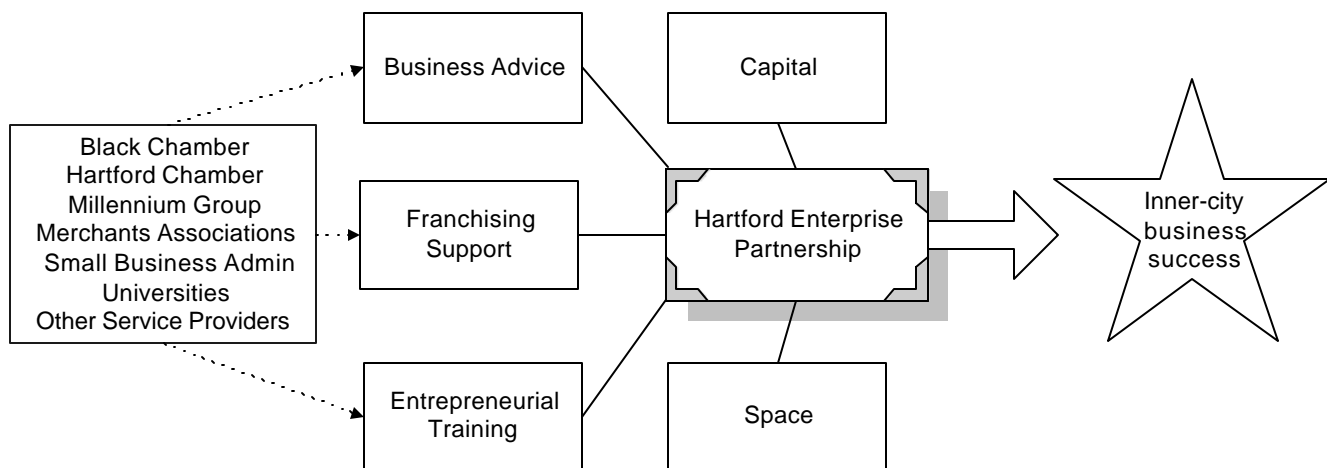
The analysis of business clusters shows that the most significant opportunities for business development in Hartford are in commercial services (such as printing, security, temporary staff, and building maintenance) and in the health care and medical devices cluster. Commercial services, in particular, grew at an annual average of approximately eight percent per year in inner-city Hartford from 1994 to 1998, and could grow even faster with targeted support.

Research indicates that small and medium-sized businesses will be the primary engines driving growth in these industries. In order to tap these opportunities, however, many of these businesses must overcome significant hurdles, including inadequate access to capital, lack of management experience and expertise, high overhead expenses, weak brand recognition, and limited e-commerce capacity. The Advisory Board recommends that the Hartford Enterprise Partnership be created to address these disadvantages.

#### ***Description***

The Hartford Enterprise Partnership will accelerate the development of new and/or growing businesses in the inner city that can gain a competitive advantage by drawing on the strengths of inner-city locations and residents. It will coordinate and focus the business resources that already exist and provide new services, such as business incubation space. It will leverage services and activities that are already in place and help current providers offer higher levels of customer service to new and existing businesses than they could achieve individually.

**Diagram of Hartford Enterprise Partnership Providers, Services, and Customers**



The Hartford Enterprise Partnership would be responsible for ensuring that all businesses have access to specific services (either by providing directly, or by linking with appropriate providers). These services would include the following:

- **Business advice**
  - Technical assistance (accounting, information systems, personnel policies, technology, etc.)
  - Assistance in identifying and implementing opportunities to use the Internet and e-commerce to increase sales and profitability
- **Incubator space and shared services**
  - Low cost space
  - Access to markets
  - Shared services
    - Accounting
    - Insurance
    - Marketing
    - Communication and technology
- **Access to capital**
  - Equity
  - Debt
- **Franchising support**
  - Outreach to potential entrepreneurs
  - Connections to franchisers
- **Entrepreneurial training**

Each of these services is discussed in more detail in the sections that follow.

#### *Provide Business Advice*

The Advisory Board recognizes that it is critically important to increase the expertise available to businesses operating in the inner city. The Hartford Enterprise Partnership will have the responsibility of linking current providers into a Business Advisory Network that provides high-quality, timely, customer-focused business advice to inner-city businesses. The Business Advisory Network will leverage pro bono advice wherever possible, and would be priced at a low cost for local small businesses. There would always be some cost, to ensure that the businesses saw the advice as being valuable. Members of the Business Advisory Network could include current business service providers, such as the Merchants Associations, the Black Chamber of Commerce, SCORE, and the BIC, as well as pro bono assistance from consulting firms, law firms, technology firms, accounting firms, and business schools.

The Business Advisory Network will be focused on cluster-specific issues, providing targeted and useful information. The network also can be organized in such a way that it is useful for first-time entrepreneurs helps build community capacity. Links between the Business Advisory Network and organizations interested in providing credit to small businesses can help reduce transaction costs for both sides.

**Business Advisory Services for Food Retail/Ethnic Food.** One example of cluster-specific business advisory services is a potential peer-to-peer network being considered in the food retail/ethnic food industry. This would be a Business Advisory Network project, providing advice and information to member businesses. Possible topics for advice and information would include the following:

- Internet retail
- Export opportunities
- Joint purchasing
- Inventory management
- Training on computer hardware and software
- Training on information management systems
- Destination marketing

The Advisory Board recommends that a member of the Advisory Board, DECD staff and consultants conduct research on successful examples of these networks in other cities, and then meet with the Spanish American Merchants Association to develop a mutually agreeable set of goals and objectives for providing business advisory services to retail ethnic food businesses.

Another important example of cluster-specific advice would be assistance to retail businesses and commercial service businesses on integrating e-commerce into their operations. E-commerce offers these businesses the opportunity to dramatically expand their markets, to provide better service to their current customers, and to reduce the cost of marketing and sales. Again, the Advisory Board recommends working closely with existing providers to determine the types of services needed, and the best way to provide those services.

#### *Provide Shared Services and Incubator Space*

In addition to offering business advisory services, the Hartford Enterprise Partnership will be responsible for coordinating or providing shared services and incubator space for new and growing businesses. A successful incubator is more than just low-cost, flexible space. It is a system for speeding the growth and development of small businesses. The incubator would provide shared services on a low-cost basis, such as reception, word-processing, mailing and copying. It would also provide shared equipment and facilities, such as fax, computers, copiers, and conference rooms, as well as contacts with other entrepreneurs and potential customers. Most importantly, the incubator would provide skilled coaching, delivered on-site, to help business owners grow from “mom-and-pop shops” to successful medium-sized firms.

The Hartford Enterprise Partnership will work closely with business service providers and public sector agencies to develop an incubator space that meets the needs articulated by small business owners, especially the owners of commercial services establishments and small contracting firms. As with the business advisory services, many of the services provided at the incubator will be provided by existing entities.

### Access to Capital

The Hartford Enterprise Partnership will be responsible for linking businesses to sources of equity capital and debt capital. This is a critical need for inner-city businesses. HEP will work to ensure that all inner-city businesses that need capital are aware of the options available to them in Hartford. HEP will also work to ensure that the business owners can put together successful loan applications by linking them with experts who can help them develop appropriate business plans and loan packages.

However, it must be noted that there is not a sufficient supply of capital, particularly equity capital, available to inner-city businesses. The Advisory Board has a number of recommendations on how to increase this supply. These are addressed in a later section.

### Expand Commercial Services Franchising

Due to continued outsourcing in the financial services/information technology cluster and in the medical devices/health care cluster, opportunities to create and expand commercial services businesses will continue to grow in Hartford. Franchising offers inner-city entrepreneurs a way to overcome many of the barriers to starting a commercial services firm. In particular, franchising arrangements offer assistance with training, business development, financing, purchasing, and “back office” functions. Accordingly, the Advisory Board has a strong interest in supporting franchising as a way of helping entrepreneurs start and expand inner-city businesses.

In its discussions, the Advisory Board set out two goals in this area. The primary goal is to identify and attract entrepreneurs who will succeed in inner-city locations. The Advisory Board wants to attract these entrepreneurs whether or not they are residents of Hartford, and whether or not they are people of color. The sole criterion will be whether or not they can succeed. A secondary goal is to provide opportunities, training, funding, and support to inner-city residents striving to succeed as entrepreneurs. As one board member noted, “First we need to ensure that there are successful models. This will help to stabilize the market. Then we can work to make sure that inner-city residents get acquainted with the models and have an opportunity to become successful, too.”

It is important to note that the Advisory Board does not see franchises as a “cure-all.” There are neighborhoods and commercial strips in which franchises would not be appropriate. Also, as will be discussed further under “Attract and Expand Retail Activity,” it is important that new inner-city franchisers complement, not compete with, existing Hartford businesses.

The Hartford Enterprise Partnership will have the responsibility of stimulating “demand-driven” franchising opportunities. HEP will identify the business opportunities present in Hartford’s inner cities for commercial services franchisers, especially those that flow from the anticipated growth in the financial services/information technology cluster and in the medical devices/health care cluster. It will then use information about business opportunities to stimulate franchisers’ interest in these markets and willingness to commit time and energy to exploring them. If possible, the organization will gain specific commitments from franchisers to provide assistance to franchisees working in inner-city locations. The Advisory Board also recommends that the city or the state develop tax and other incentives to induce franchisers to spend time and energy supporting franchises in the inner city.

The Advisory Board recognizes that it is important to market to entrepreneurs as well as to franchisers. Entrepreneurs who are interested in starting or expanding franchise operations should be informed about the profitability of franchise operations in the inner city. The Advisory Board recommends that specific information about the opportunities in franchises that serve the financial services/information technology cluster and in the medical devices/health care cluster be developed and communicated to entrepreneurs. Potential channels for bringing this information to entrepreneurs include the merchants associations, industry associations, community colleges, and direct outreach by the Hartford Enterprise Partnership.

Entrepreneurs often link with franchisers through word-of-mouth referral. Franchise chains that are not already active in the inner city may not have networks that will connect them to competent inner-city entrepreneurs. The Advisory Board recommends supporting the efforts of a wide array of organizations that already have connections to inner-city entrepreneurs to link them up with interested franchisers. Such organizations include, but are not limited to:

- Black Chamber of Commerce
- Spanish American Merchants Association
- Connecticut Minority Development Purchasing Council
- University of Hartford Entrepreneurial Training Program
- Hartford College for Women Entrepreneurial Program

The Advisory Board also feels that it is critically important to provide inner-city entrepreneurs with the tools they will need to succeed. These include equity capital, technical assistance, and links to markets. The Advisory Board recommends that the Hartford Enterprise Partnership play a linking role, bringing all these tools together in one location for entrepreneurs, as noted above. (Please see recommendations about access to equity capital below as well.) HEP can reach out to potential inner-city entrepreneurs to interest them in the concept of entrepreneurship. Since commercial services franchising will be an important strategy for achieving entrepreneurial success, HEP should also work to connect aspiring inner-city entrepreneurs with well-established role models in commercial services franchising.

### Entrepreneurial Education and Training

The Advisory Board believes it is important to increase entrepreneurial activity at the community level. In order for this to occur, there must be more education and training on entrepreneurship. Given limited resources, the Advisory Board believes that funds should be focused on adults rather than youth. While providing training for youthful entrepreneurs is important, a number of organizations in the greater Hartford area are already providing some support for youth entrepreneurship.

The Advisory Board recommends that the Hartford Enterprise Partnership be responsible for linking to, or providing directly, entrepreneurial training for adults. One very important role for the training will be to serve as a short immersion into the reality of being an entrepreneur. This can help adults decide if they are truly ready and willing to make the sacrifices needed to succeed as an entrepreneur.

Entrepreneurial training programs should meet following criteria:

- Create a series of experiences that help participants to understand the reality of being an entrepreneur and running a small business
- Encourage participants to undertake a critical self-assessment about their personal strengths, weaknesses and needs, to determine whether they are ready to do what it takes to succeed as an entrepreneur
- Provide participants with the basic technical skills in marketing, accounting, and computers needed to successfully run a small business
- Connect the participants with potential mentors
- Assist participants, where appropriate, to get financing needed to start their businesses

The Advisory Board also believes, more broadly, that it is important to increase interaction between the educational system and the private sector. The Chamber of Commerce and the School Board should continue and expand their work together to identify and implement mechanisms to increase private sector involvement in Hartford's public schools, and to provide work-based learning opportunities for inner-city residents. These mechanisms could include mentoring programs, internship programs, school-to-career programs, and apprenticeship programs. If time and funding permit, the Hartford Enterprise Partnership also should encourage partnerships between business schools, businesses and high schools to develop courses in entrepreneurship for school-aged youth. The goal of the courses would be both to increase academic achievement (by making schoolwork more clearly relevant to success in life) and to acquaint school-age youth with the basics of what it takes to successfully run one's own company.

### *Other Services*

In addition to the services noted above, the Hartford Enterprise Partnership may be able to provide additional services that will help create competitive urban businesses over the long run. For example, HEP could become a site for a pilot program in which large institutions would make "geographically targeted" purchases. This would involve helping Hartford's larger institutions create a buying collective that would purchase office supplies and other "non-specialty" items in bulk from local Hartford suppliers. This would both create a market for the Hartford suppliers and maintain or lower the purchasing costs of the larger institutions. If possible, this system would be instituted as an e-commerce system, to achieve lower costs even faster.

The Hartford Enterprise Partnership would also be a clearinghouse for advice and alternative approaches to spur the formation and growth of businesses in the inner city, including HUB Zones, Foreign Trade Zones, and microenterprise lending programs.

## ***Implementation Plan***

The Advisory Board recommends that the details of how the Hartford Enterprise Partnership will be structured, governed, and implemented, be developed in a 4-month planning process. The Advisory Board will co-convene a planning committee with the corporate community, Hartford 2000, the Hartford Economic Development Commission, and the Department of Economic and Community Development. This planning committee will seek input from all current providers of business services as to how the Hartford Enterprise Partnership should be structured and implemented. The Advisory Board will seek to ensure that the providers are confident that the Hartford Enterprise Partnership, when implemented, will

help current providers attain results they can't attain individually, and will be based on clearly identified customer needs and performance measures.

The Advisory Board feels that the planning committee should explore a full range of potential organizational "homes" for the Hartford Enterprise Partnership, including the BIC, the SBA Loan Program, Hartford 2000, the Millennium Committee and a partnership between members of Millennium, Hartford 2000, and strengthened merchants associations. The Advisory Board felt that the best way to manage the program would be to create a new entity linked to one or more of these existing entities, rather than to create a new stand-alone entity.

The Advisory Board also feels that it is important to explore a variety of different ways of procuring staffing for the Hartford Enterprise Partnership. One potential method would be to let a management contract by RFP. The RFP would be sent out to a number of potential contractors in the broader Hartford community, including the coordinators of the merchants associations. The seed money for the initial staffing would come from the state. A subset of the Advisory Board would serve as the Review Panel for the RFP.

With regard to entrepreneurial training, members of the Advisory Board will meet with all providers to get input on the potential methods for funding additional entrepreneurial education and training programs, and for linking them to entrepreneurial opportunities in the clusters. The Advisory Board will seek to ensure that all providers are confident that the funding, as structured, will help current providers to attain results they can't attain individually, and will be based on clearly identified student needs, market opportunities and performance measures. The entrepreneurial training will be coordinated through the Hartford Enterprise Partnership.

## ***Estimated Cost***

### ***Short Term***

The Advisory Board recommends that \$50,000 be allocated to cover staff costs and other expenses for the four-month planning process. The Advisory Board recommends that these funds be made available to the Hartford Economic Development Commission (HEDC), with the requirement that the HEDC provide staffing and support for the planning process.

### ***Long Term***

#### **• Expert Business Advice**

Based on the experiences of Boston Advisors, an affiliate of the Initiative for a Competitive Inner City, and the Enterprise Center, a successful business incubator in Philadelphia, the total budget for business advisory services would initially be in the range of \$500,000 to \$750,000. This could rise to as much as \$1,500,000 over time. The budget would be funded primarily by public sector sources initially. Over time, as much as 90 percent of the budget could be funded by private sector sources. The budget would flow both to current providers and possibly to new staff as well. Over the next three years, this funding would enable current and new providers to give in-depth, year-long consultations to 30-45 businesses, provide technical skills workshops to 300 businesses, and help 100 businesses integrate e-commerce into their operations.

- **Shared Services and Incubator Space**

The Hartford Enterprise Partnership will provide both shared services and low-cost space. The low-cost space may be distributed across the city, or consolidated into one or more incubators. A typical incubator can serve approximately 30-50 tenants over the course of a year. The optimal size for an incubator for commercial services tenants is between 30,000 and 40,000 square feet. The Andersen Report indicates that there is an opportunity to create 1,500 new businesses in Hartford, and so it should be possible to fill one incubator, and perhaps more. For the purposes of budgeting initial costs, we assuming that the low-cost space is provided in a single incubator of 35,000 square feet, which serves an average of 30 tenants at any one time.

There are two types of costs associated with running an incubator – space costs and costs of expert business advice. The average cost for class B office space in Hartford is \$10 to \$12 per square foot. Accordingly, we assume that the total space costs for the incubator will be approximately \$320,000 to \$420,000 per year. A significant proportion of this cost will be borne by the tenants. Expert business advice for the incubator will be provided as part of the business advice that the Hartford Enterprise Partnership provides to all businesses, so its costs are part of that larger budget. This level of funding would allow the incubator to serve approximately 60 businesses over the next three years.

- **Commercial Services Franchising**

Because all of the recommendations in this section would be fulfilled by the individuals who are providing expert business advice, the budget for these recommendations is included in the business advice budget above. This budget would enable new and current service providers to assist 20-30 entrepreneurs to be linked with major franchisers over the next three years.

- **Entrepreneurial Training**

Community surveys of Hartford suggest that 6 percent of community residents are interested in owning and running their own businesses. Given a population of approximately 36,000 below poverty, this implies a total of 2,160 low-income residents interested in entrepreneurship. The Advisory Board recommends making an additional \$100,000 available per year for funding for entrepreneurial training programs with a proven track record. This would add funding for an additional 150 students over the next three years.

## **Create the Enabling Environment for Equity Investment**

The Advisory Board had a vigorous and sustained discussion on the best ways to help increase the availability of capital for small and medium-sized businesses and start-ups in the inner city. The consensus reached was that the most important task is “to create the enabling environment for private sector equity investment in the inner city.” City agencies, state agencies, and nonprofit organizations should work together with business leaders to demonstrate the attractiveness of the inner city as a location for private sector equity capital and to increase the private sector equity capital available to invest in the inner city.

## ***Specific Efforts***

### ***Demonstrate the Attractiveness of Investments in the Inner City***

The Advisory Board felt that one key approach to overcoming the reluctance of investors to make investments in the inner city would be to demonstrate the attractiveness of the inner city as an investment option. Specific recommendations include the following:

- **Develop a communication campaign highlighting the advantages of doing business in Connecticut's inner cities.** This should build on the analysis of the advantages of an inner-city location that all five cities completed with assistance from the Initiative for a Competitive Inner City. The state might also create the "Connecticut 10," profiling ten success stories each year of business profitability and growth in Connecticut's inner cities.
- **Provide state tax credits for equity investments.** This would help draw investors into the inner city, and help them get the experience needed to demonstrate the attractiveness of these markets.
- **Utilize SBIC leveraging.** Investors could be encouraged to utilize the SBIC form, which enables them to leverage their equity investments with inexpensive debt from the federal government. The regional and local SBA offices should be encouraged to promote the benefits of the SBIC form.

The Advisory Board felt that the Hartford Economic Development Commission and similar municipal agencies in other cities, together with the Department of Economic and Community Development, would be the appropriate organizations to take the lead on demonstrating the attractiveness of investments in the inner cities.

### ***Increase Private Sector Capital Available for Investment***

Increasing the level of private sector equity capital available for investment in inner cities is critical for encouraging sustainable business growth. One method would be to help support the creation of targeted equity capital funds designed to invest solely or primarily in businesses located in the inner city. These funds would be raised and managed by private sector organizations. Potential sources of investors for such a targeted fund would include pension funds, the insurance industry, and the public market. The Advisory Board also thought that it would be important to encourage funds targeted at creating economic development (such as the Millennium Fund) to play a leadership role by making equity investments in businesses located in inner-city neighborhoods. It is also important to continue working with banks to invest in inner-city areas as part of compliance with their Community Reinvestment Act regulations.

### ***Develop Relationships with Equity Investors***

Because of the risks involved with equity investments, it is very important for community developers and investors to build relationships in order to better understand each other's expectations, as well as how the equity world works.

Equity investors look for several factors when assessing the potential for an equity investment:

- The passion and commitment of the entrepreneur
- The entrepreneur's educational and managerial experience
- The business plan: Does it make sense? Will it pay off?

- The entrepreneur's willingness to cede control to the investor

To better understand investors' decision-making criteria, as well as identify candidates for equity investments, the Hartford Enterprise Partnership could begin to develop relationships with investors from both Hartford and the greater New England region. HEP could also develop workshop and training capabilities to help entrepreneurs understand the advantages and disadvantages of leveraging equity.

### Increasing Access to Loans

Access to loans is a continuing problem for many inner-city businesses. One of the barriers to greater investment in inner-city businesses is the lack of good credit information about these businesses and their owners. Another is the difficulty of obtaining financing at affordable prices. The Advisory Board recommends reviewing SHI, CEDF, HEDCO, Urban and other "gap financing" and bridge loan programs. If the research is positive, the Advisory Board recommends expanding SHI and other such public/private programs to all neighborhoods in Hartford.

## **Implementation Plan**

The Advisory Board recommends that DECD staff and an Advisory Board member take the lead in performing research on the following:

- Identify, on a national scale, the capital funds that are being established to focus on the inner city. Review the sources of investment for these funds, including public markets, pension funds, insurance companies, banks, etc.
- Determine the cost and potential impact of a state tax credit for investments in businesses in the inner city.
- Develop a communication campaign highlighting the competitive advantages of doing business in Connecticut's inner cities.
- Examine the potential for creating a "Connecticut 10."

## **Estimated Cost**

The primary recommendation of the Advisory Board that requires significant funding is the creation of a state tax credit for investment in the inner city. At this time, it is premature to estimate the cost of such a tax credit. Rather, the Advisory Board recommends making \$50,000 available to study the costs and benefits of different methods of providing incentives for increased equity investment in the inner city. The Advisory Board believes that a significant increase in equity investments across the state will require private and public sector investors to work together. Examples of private sector investment funds include the Hartford fund being assembled by the Millennium Group, the Connecticut Urban Investment Fund being assembled by Smith-Whiley & Company, and ICV Partners LP, the national fund affiliated with ICIC. Overall, the board encourages the development of equity funding that would permit new equity investments in 40-50 inner-city businesses across the state. In addition, providing increased access to loans in Hartford should enable an additional 30-45 businesses to get loans and other forms of financing over the next three years.

## **Attract and Expand Retail Activity**

The Research Team's findings show that there is significant untapped retail demand in inner-city Hartford. For example, the research indicated that there is \$25 million to \$75 million of untapped demand for supermarkets, and \$50 million to \$60 million of untapped demand for department stores. Residents of Hartford are leaving the inner city in order to shop, even while inner-city Hartford has many boarded-up and vacant commercial properties.

When attracting new retailers, the Advisory Board recommends that Hartford should focus its attention on attracting those that will complement the retailers who are already located in the city and fill holes in the current retail marketplace.

The Advisory Board recommends that the Hartford Economic Development Commission (HEDC), together with representatives from the NRZs and the Advisory Board, deepen and refine the research on unmet retail demand in the neighborhoods. In carrying out this research, HEDC should work closely with the merchant associations to identify opportunities and reach out to entrepreneurs who would be qualified to take advantage of these opportunities. HEDC should also seek to leverage the expertise of local business school faculty and utilize pro bono services from consulting firms and business school students.

The Advisory Board recommends that HEDC consider using a methodology developed by Boston Advisors, an affiliate of ICIC, to create a comprehensive retail development strategy. This methodology is discussed in the section on attracting and expanding retail activities below. The Advisory Board also recommends that the Hartford Enterprise Partnership help local retailers build on successful examples of ethnic and specialty retailers, and on ethnic-identity malls and shopping strips. This could include providing specialty and ethnic business advisory services, and arranging for the joint purchasing of grocery and other items.

The Advisory Board recommends that the retail development strategy take full advantage of the ethnic identity of neighborhoods to create unique and valuable regional shopping destinations, emulating the success of the Park Street Mercado. When planning the development of commercial strips in neighborhoods, HEDC should attempt to identify "anchor tenants" who have been successful in other inner-city markets and who want to expand into a new location. In order to reduce the risk to the developer and the retailer, the Advisory Board recommends that the city or state provide a guarantee for the financing of the development of retail space in specific inner-city locations.

There is significant interest among smaller merchants in the creation of a joint purchasing cooperative. This would enable them to purchase inventory at significantly reduced prices. The Advisory Board noted that the creation of a citywide or statewide joint purchasing service would require a significant amount of working capital – perhaps \$500,000 or more. One potential source of financing for this is the Cooperative Developers' Institute, a national organization that assists in creating and supporting cooperatives. This organization has \$10 million from the federal government, which it can make available as loans to cooperatives. A purchasing cooperative would potentially qualify for support.

There is also considerable interest among merchants in creating an ethnic identity mall through cooperative ownership of retail space. Again, the Cooperative Developers' Institute may be a funding source.

## ***Implementation Plan***

The portions of these recommendations that deal with providing expert advice and with creating a joint purchasing service will be implemented as part of the process of implementing the Hartford Enterprise Partnership, which will provide these services.

The Advisory Board recommends that a planning process for the development of a comprehensive retail development strategy be co-convened by the Advisory Board, together with the Millennium Committee, Hartford 2000, the Hartford Economic Development Commission, and the Department of Community and Economic Development. This planning committee should include representatives from neighborhood organizations, the merchants associations, retail chains, and retail developers. The goal of the planning process should be to create a retail development strategy that meets the needs of the neighborhoods, the existing merchants, retail developers, and potential new retail tenants. The planning process should also seek to leverage the expertise of local business school faculty, and to utilize pro bono services from consulting firms and business school students.

## ***Estimated Cost***

- **Expert Business Advice**

The budget for this recommendation is included in the budget for providing expert business advice through the Hartford Enterprise Partnership.

- **Prepare Comprehensive Retail Development Strategy**

Developing a comprehensive retail strategy will require expert assistance working in close consultation with the merchants associations and community-based organizations. The Advisory Board recommends a budget of \$50,000 to develop a comprehensive retail development strategy for Hartford's underserved neighborhoods. This budget should enable the community to prepare its retail business portfolio, identify its anchors, non-anchors and under-utilized anchors, and begin to assess the feasibility of various strategic options. Once the strategic direction has been chosen, a successful comprehensive retail development strategy should help to attract one anchor or improve the performance of an existing anchor in one to two neighborhoods, and to help 10-15 inner-city retailers successfully start or expand retail establishments. These actions can help to create 50-100 new jobs over the next three years.

- **Joint Purchasing Service**

It is difficult to estimate the total start-up cost for a joint purchasing service at this time. Instead, the Advisory Board is recommending that \$50,000 in funding be provided for the development of a business plan for the joint purchasing service. The business plan should be developed in cooperation with the merchants associations. Once developed, the joint purchasing cooperative will be able to serve 20-40 businesses in Hartford.

## **IV. DEVELOP COMPETITIVE RESIDENTS**

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### **Job Retention/Economic Self-Sufficiency**

As stated above, the Hartford Inner City Business Strategy Initiative is focused on business development as a way to increase income, wealth, and job opportunities for inner-city residents. If successful, the Initiative will help to spur the expansion of businesses located in the inner city, attract additional businesses to the inner city, and assist entrepreneurs to start new businesses in the inner city. But this will not improve the status of inner-city residents unless they have the skills, knowledge, and commitment needed to take advantage of the growth in business.

The Advisory Board recommends expanding the focus beyond simple job training to capture the entire picture of what is necessary to achieve economic self-sufficiency. In order to achieve self-sufficiency, residents need to have strengths and stability in each of the following seven areas:

1. Personal attributes (including self esteem, social skills, and a sense of hope and vision)
2. Income and financial assets
3. Education and skills
4. Housing and food
5. Safety
6. Supportive human services (including medical care and child care)
7. Relationships

If residents have significant deficits in several of these areas, it will be hard for them to ever achieve economic self-sufficiency, regardless of the business and job opportunities available.

There are many programs in Hartford that are successfully working to assist residents with each of these seven areas. However, up until now, no one has had the responsibility or the opportunity to determine what is needed to help shape the whole system to move residents toward self-sufficiency.

The Advisory Board considers the most important areas for improvement to be job-readiness and job retention. Hartford has a number of demand-driven skills training programs that are linked to Hartford's growth clusters. However, it will be difficult to fill these programs with participants who are prepared to perform well unless job readiness programs are increased. Similarly, the job turnover for the graduates of these programs will be higher than acceptable unless job retention programs are enhanced as well.

The most important additional funding required is for job retention services within comprehensive job-readiness programs. It is very difficult to find funding to increase job retention rates. However, low retention rates can prevent job skills training and placement from leading to economic self-sufficiency. In addition, to encourage self-sufficiency, job retention must be linked to economic literacy and asset accumulation programs. These programs can help residents understand how to build economic assets that let them achieve future goals, such as home ownership and higher education.

The Advisory Board noted that one of the keys to success in job retention lies in mechanisms that create long-term relationships with placed trainees as well as with employers. Better programs have methods of encouraging their alumni to keep in touch. These can include forming an alumni group, providing continuing education, or hosting rap sessions about the workplace and issues beyond the job. Individual Development Account (IDA) programs also can be used to provide an incentive to stay in touch.

An IDA is a savings account that is dedicated to specific long-term goals, and in which an individual's contributions are matched by government or private sector funds. IDAs are being tested by programs nationally as a way to increase economic literacy and financial self-sufficiency. For example, some IDA programs encourage program participants to set up IDAs as part of the job readiness program, and then add to their IDAs for each week that they retain their jobs. This helps encourage them to retain their jobs, stay in touch with the job retention program, and a financial asset for the future.

The Advisory Board strongly recommends that the State increase funding to enable proven, comprehensive job-readiness programs with strong job retention services to expand, and to enable job-readiness programs without strong job retention services to add those services. The private sector may be interested in funding post-placement services, since retention is a more cost-effective way of maintaining the appropriate staffing level than ongoing recruitment and retraining, especially in a tight labor market.

The Advisory Board recommends linking the job retention and job readiness programs to community development activities. This is an important new approach to creating vibrant and healthy communities. The Advisory Board also recommends that the State, in coordination with the Hartford Enterprise Partnership, develop a central listing of different varieties of job readiness and skills training for use by employers and training providers alike. This central listing should include training results, where available.

The Advisory Board recognizes the complexity of social issues confronting people entering the workforce, from childcare to transportation and other issues. Therefore, the Advisory Board recommends that there be a close connection between job readiness programs and human service delivery systems, driven by the trainee's life goals. The Advisory Board recommends linking job retention services to adult basic education as well. Twenty percent of the Hartford workforce is unable to read and write at levels sufficient to hold a job. Until these basic skills deficits are remedied, it will be extremely difficult for them to attain economic self-sufficiency in the long run.

The Advisory Board noted the difficulty that is created by the current rules concerning journeyman/apprentice ratios in the skilled trades. These rules limit the ability of training programs to place their graduates in jobs in the skilled trades. The Advisory Board recommends that the State Department of Labor formally evaluate the costs and benefits of the current rules regarding the ratio of journeymen to apprentices in the skilled trades, and make recommendations on how to increase the number of trainees that can be placed into jobs each year. The Advisory Board also recommends that the Connecticut Department of Labor work with industry groups and unions to build career ladders, so that the entry-level jobs are jobs with a future.

## ***Implementation Plan***

The Advisory Board recommends creating a process to draw together all key actors to discuss how to expand and improve job retention services and link them to economic literacy and asset accumulation. Participants in the planning process should include the following:

- All major job training providers
- Representatives from the faith-based community
- Representatives of funders and academia who are making assessments and judgments about the success of these programs (This would help to develop common language, measurements and program elements.)
- The Regional Workforce Development Board
- Community Economic Development Committee of the Millennium Group (which includes members of Hartford 2000)
- Key organizations that provide services to the target population, including Community Renewal Team, Co-Opportunity, the North Hartford Initiative, Progress, the Puerto Rican Forum, and the Urban League
- Capital Center Technical College

The planning process should seek to ensure that the providers are confident that the funding, as structured, will help current providers to attain results they can't attain individually, and will be based on clearly identified student and employer needs and performance measures. The process should develop clear measures and standards for performance of job readiness and job retention services that the providers understand, and to which they agree.

## ***Estimated Cost***

Expanding job readiness and job retention programs to the point where all those in Hartford who are in need are served would be enormously expensive – tens of millions of dollars per year. As a first step, the Advisory Board recommends providing funding to enable proven, comprehensive work readiness programs with strong job retention services to expand, and to allow proven, comprehensive work readiness programs without strong job retention services to add them. These programs should also be closely linked with demand-driven skills training programs associated with the clusters that are generating job growth. This approach will help to demonstrate the value of these programs, and will lead to greater private sector support over time. As a starting point, the Advisory Board recommends allocating approximately \$250,000 per year for three years to be spent in the Hartford region to enable proven, comprehensive work readiness programs with strong job retention services to expand, and to allow proven, comprehensive work readiness programs without strong job retention services to add them. This will enable service providers to provide job retention, economic literacy, and asset accumulation services to an additional 100-150 individuals per year. In the future, the models that are developed and tested with this funding can be expanded to other cities in the state.

## **Education for Community Residents and Community Organizations**

It is important for residents and community-based organizations to participate fully in planning and implementing economic development in their communities. In order for this to occur, the Advisory Board recommends investing in educating residents and neighborhood groups in community economic development.

The Advisory Board recommends resources be provided to Hartford 2000 and the NRZs so that they are able to get the technical assistance needed to understand the details of recommendations and to incorporate them into their strategy plans. The Advisory Board also recommends that all entities engaged in economic development activities that affect inner-city communities provide information on their activities to Hartford 2000 and the NRZs. Hartford 2000 and the NRZs will serve as a communication and information conduit for the neighborhoods and community-based organizations.

The Advisory Board recommends that state leaders work to make educational opportunities available to community residents who are not familiar with the basic concepts of community economic development and community mapping of assets, organizations, and opportunities. These courses will help community residents understand and influence what is being proposed for their communities.

Many of these educational opportunities could be delivered through a series of workshops, each having a different topic and guest “expert” speakers. Workshop topics could include retail merchandising strategy, private equity markets, cash flow management, brownfield remediation, etc. Each workshop should feature a guest speaker(s) with expertise and extensive experience in the topic. The guest speaker should also be prepared to address the unique concerns of the particular audience.

Local banks, corporations, and economic development organizations could sponsor these events, which typically cost a few thousand dollars per session. Guest speakers may be willing to donate their time.

### ***Implementation Plan***

The Advisory Board recommends that Hartford 2000 coordinate the education for community residents. The Advisory Board recommends further that the first priority should be to provide training and technical assistance to the leadership of Hartford 2000, so that they have the tools they need to participate in the community economic development planning process. Once this is accomplished, training, and education can then be provided to the community at large.

### ***Estimated Cost***

The Advisory Board believes that a significant portion of the education will be provided pro bono or as part of the mission of existing organizations. As a result, it recommends providing funding for approximately \$50,000 per year for the next three years. It is possible that some or all of this funding might be obtained from national foundations, which are interested in helping to increase the capacity of community-based organizations to address community economic development issues.

This level of funding will enable existing service providers to offer technical assistance and training to all of the members of Hartford 2000. In addition, this funding will enable training organizations to provide a one-and-one-half day workshop on community economic development to at least 150 residents each year, and to provide a 10-week training program in community and economic development to 25 residents each year.



## V. CREATE A COMPETITIVE CITY

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### **Market Hartford Business Opportunities**

One of the key findings from the research is that executives from inner-city Hartford consider the perception of crime to be a more significant competitive disadvantage than crime itself. Accordingly, the Advisory Board strongly recommends that a plan be developed and implemented to market the inner city as an attractive place to do business. The Advisory Board recommends the following as overall goals for such a marketing plan:

- Increase the number of businesses that are moving to, or expanding in, inner-city Hartford
- Improve the perceptions that business owners and residents have of business opportunities in inner-city Hartford
- Increase the willingness of the general public to come to Hartford for shopping and entertainment

The Research Team found that the most important clusters for growth potential in Hartford were medical devices/health services, financial services/information technology, heavy construction services, transportation/import-export, and retail. Based on this finding, the Advisory Board recommends that the target audience for Hartford's marketing primarily be business executives in these industries and their advisors. The aim of the marketing should be to convince them to locate or expand their businesses in inner-city Hartford.

The Advisory Board discussed the need for a small, dedicated group of professionals who would perform the day-to-day marketing tasks. The Bridgeport Economic Resource Center (BERC) is one example of how this might be performed. BERC serves as a broker and marketer for Bridgeport. The staff of BERC has in-depth knowledge of the industries that Bridgeport is seeking to attract and of the properties and sites that are available for lease or development. They attempt to stimulate demand for Bridgeport locations and match interested businesses with potential sites. BERC has been funded in large part by People's Bank.

A key task for the marketing staff is to demonstrate that locating in inner-city Hartford can be as profitable or more profitable than locating anywhere else. Business executives need to be shown that locating in inner-city Hartford confers a strategic advantage to certain businesses in the target clusters. Specific data that would be helpful in making this case would be information that shows that a location in inner-city Hartford provides better access to customers; allows the business to attract and retain a better workforce; and/or keeps operating costs lower. To develop this data, the staff will need to work with ICIC and other sources to collect research and case studies showing the strategic advantages of Hartford's inner-city location for business in the target clusters. Case studies should show examples of businesses in the four key clusters that have grown significantly in revenues and profitability by operating in Hartford (or similar) inner-city locations. Data should include estimates of customer demand; workforce availability; operating costs; and other indicators of strategic advantage.

The Advisory Board also discussed the need for the marketing process to be integrated with the strategic plans developed by the NRZs as part of the Hartford 2000 process. The NRZs have mapped the sites available in their neighborhoods and the types of businesses that would be appropriate for those sites. The Advisory Board believes that it is critically important for the neighborhoods to have a voice in the process by which industry is attracted and located in inner-city Hartford.

The Advisory Board discussed the fact that the marketing of Hartford should combine two approaches. One is a “neighborhood-driven” approach, and one is a “cluster-driven” approach. The neighborhood-driven approach starts with the NRZ process, in which the residents identify neighborhood sites, needs and markets. This leads to a list of properties and potential uses. The cluster-driven approach starts with research on business clusters, identifying those that have a strategic reason for locating in the inner city and are likely to grow in the near future. This leads to a list of potential businesses that should be targeted to locate or expand in the inner city. The two approaches are complementary.

In addition to marketing to business executives and their advisors, the Advisory Board also feels that it is important to persuade the general public that Hartford is an attractive place for shopping and entertainment. This goal can be achieved through a public relations campaign aimed at improving the general public’s perception of safety and security in the inner city. This would seek to place stories about the reduction of crime and the increase of security in inner-city neighborhoods. It would also seek to portray inner-city neighborhoods as vital, exciting places to play and shop.

## ***Implementation Plan***

The Advisory Board recommends the following action steps:

- DECD and HEDC should explore the BERC example and identify the steps needed to replicate it in Hartford.
- The planning committee should work to determine the best organizational home for the Marketing Team. In order to achieve economies of scale, and to be able to present the broadest array of opportunities to potential business clients, the Advisory Board recommends that the Marketing Team be responsible for marketing all of Hartford, including inner-city Hartford. Given this mission, the best organizational home for the Marketing Team is probably an organization that has all of Hartford as its purview, such as the Hartford Economic Development Commission, the Chamber of Commerce, or the Millennium Group.
- The Marketing Team should have a Hartford Marketing Advisory Committee with representatives from the City of Hartford, Hartford 2000, the NRZs, and the corporate community. The overall marketing plan should be integrated with the plans developed by the NRZs.
- The Marketing Team should coordinate its day-to-day activities with NRZ neighborhood marketing efforts. The Marketing Team should highlight case studies showing that businesses that locate in areas to which they have been invited by neighborhood planning processes show higher profitability than other stores.
- The Marketing Team should link to the Metro Hartford Chamber of Commerce and other business organizations and increase their sensitivity to, and interest in, marketing the inner city.

## ***Estimated Cost***

The Hartford Marketing Team would be responsible for marketing all of Hartford, including inner-city Hartford. Modeling the Hartford Marketing Team on the Bridgeport Economic Resource Center would imply a budget of \$500,000 to \$750,000 and a staff of five. This budget would be funded out of a mix of private and public sector sources, with initial seed funding from the public sector. This level of funding will enable the staff to conduct vigorous and sustained marketing activities. Over the next three years, this level of marketing activity will enable the staff to attract 30 new small to medium businesses to Hartford, thereby creating 200 new jobs, and to encourage 30 businesses to remain or grow in Hartford, thereby retaining or creating 200 jobs.

## **Improve Municipal Services That Support Economic Development**

The research conducted in preparing this study indicated that improving government services is an important issue to address in creating a competitive city. For example, approximately half of the respondents interviewed for this study identified local government's inability to respond to business needs as a significant disadvantage to locating in Hartford. In particular, difficulties with the permitting process were noted as being a barrier to businesses considering locating or expanding in Hartford. For example, Windsor reviews and coordinates all permits and zoning requirements within six weeks, while Hartford can take one to two years.

This problem is not unique to Hartford. Across America, city governments have tackled this issue and have had considerable success in using technology and a "customer service" focus to make the permitting process faster and easier. One example of "best practice" is the permitting system developed by the City of Orlando. Orlando has developed a customer-focused, multi-disciplined permitting team that is supported by an information software system. The Orlando system allows each individual seeking permits to have one point of contact with the system. The individual's application is then tracked to a land development services team, a building development services team, and/or an inspection services team. Each team contains all the expertise and authority necessary to issue all required permits.

The information software support system allows round-the-clock delivery of information to customers through the Internet, fax-on-demand, and interactive voice response media. The system permits real time documentation of inspection results from the field, and enables city staff to send plan review and inspection results to customers by fax or e-mail. The system electronically ties together permitting functions from concept to completion, allowing for staff overview of the project from Land Development action to Certificate of Occupancy. It also allows customers and staff to easily find out about changes in policies or regulations.

The Advisory Board recommends that Hartford city government work to improve its delivery of city services, especially its permitting process. The Advisory Board strongly supports the recommendations contained in the City of Hartford Action Planning Report prepared by the Public Strategies Group, July 18, 1997 (often referred to as "the Osbourne Report"). This report, commissioned by the City of Hartford, recommends that the city government adopt a performance measurement and management system, define accountability for city agencies, develop a one-stop permitting process, and develop a public-

private partnership for economic development. The Advisory Board recommends that the corporate community work closely with the city leaders to implement these recommendations.

The Advisory Board also notes that the charter revision, which is now under discussion, may help in the implementation of this recommendation by better aligning responsibility and authority in city government. However, improvements in municipal services, including the permitting process, should not wait for eventual charter reform.

The Advisory Board noted that the tax rates in the inner city significantly exceed those of the suburbs. The Advisory Board recommended that the Hartford Economic Development Commission (HEDC) work with the City Council to develop and extend programs that will increase the competitiveness of inner-city locations by reducing the tax burden. Particular programs to consider include expanding the enterprise zone and increasing the number of business investments that are qualified to receive tax abatements.

## ***Implementation Plan***

The Advisory Board recommends the following implementation plan:

- HEDC should be the lead agency for the improvement of government services in support of community and economic development. It should have the responsibility of ensuring that business development and permitting become business-friendly and efficient.
- Hartford city government, HEDC, Hartford 2000, the Growth Council, the Millennium Group, the Merchants Associations, the Chamber of Commerce, and leading corporations should work together to develop a joint agenda for improving government services in support of business development. If deemed appropriate, these groups might wish to consider conducting a survey or a series of interviews to determine the most pressing areas for change in permitting and other government services. These groups should work together to develop support in the business community and among the residents for improvements in government services to businesses.
- Specific time goals for permitting and other government services in support of business development should be developed, monitored regularly, and tracked by HEDC, Hartford 2000, the Chamber of Commerce, and the Merchants Associations.
- Hartford corporations should be encouraged to work closely with Hartford city departments, to assist in enhancing the skills of the managers and employees and the performance of the departments.

The Advisory Board will seek to work with the Mayor, City Council members, the City Manager, and department heads to encourage them to take ownership of these goals and take responsibility for making specific changes occur.

## ***Estimated Cost***

At this time it is not possible to estimate the total cost of improving government services. The Advisory Board recommends close consultation with the Mayor, the City Council, and the City Manager to develop a budget for the suggested recommendations.

## **Improve Access to Transportation in the Inner City**

The research team's interviews found that the major clusters will create a significant number of job opportunities for Hartford residents in suburban locations. Limited access to public transportation presents a problem for many inner-city residents who wish to take advantage of these jobs. Many public sector agencies, nonprofit organizations, and commissions are currently working on transportation issues in the greater Hartford region, including the Greater Hartford Transit District, the Connecticut Transit Authority, Capital Region Council of Governments, Easy Street, All Aboard, and the Bradley Airport Commission. There are also national demonstration projects, such as the "Bridges to Work" program sponsored by the Annie E. Casey Foundation, addressing transportation issues for inner-city residents.

The Advisory Board recommends that Hartford 2000, in conjunction with All Aboard, take on the responsibility of ensuring that the needs of low-income communities are considered in all transportation planning processes. This would require that Hartford 2000 develop staff expertise in transportation issues, so that it can represent the interests of the inner city more accurately and ably. Hartford 2000 and the Advisory Board should seek to ensure that inner-city residents are represented on planning committees to keep the inner-city perspective in the planning discussions. Hartford 2000 should work to ensure that inner-city residents have access to public transportation that connects them to available jobs, no matter where those jobs are located in the Greater Hartford region.

The Advisory Board believes that it is also important for Hartford to develop a regional strategy that leverages the Hartford area's transportation assets, including Bradley airport and the highways. The inner city should have representation and a voice in the creation of this regional strategy.

### ***Implementation Plan***

The Advisory Board recommends that the State provide funding to the Capital Region Council of Governments (CRCOG) to enable it to increase its Jobs Access Program by 50 percent. The Advisory Board further recommends that the Hartford Enterprise Partnership work closely with CRCOG to ensure that the needs of inner-city residents and inner-city businesses are addressed as the CRCOG expands its Jobs Access program.

The Advisory Board also recommends that the Hartford Economic Development Commission consider identifying "best practices" for the inner city to leverage growth as a result of a successful transportation strategy. Case studies of inner cities that have participated in the growth of a major transportation hub, such as Atlanta, might be helpful in providing a framework for Hartford's future activities.

### ***Estimated Cost***

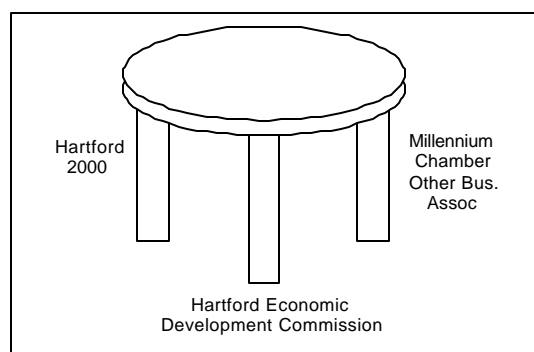
Approximately 68 percent of low-income residents of Hartford do not own cars. Since there are approximately 36,000 residents in poverty in Hartford, there are at least 24,480 low-income individuals in Hartford who do not own cars. A significant number of jobs are being created outside the area served by mass transportation. This suggests that a significant number of the 24,480 individuals who do not have cars will need to get transportation to these jobs.

Currently, the Jobs Access transportation program serves 2,000 individuals per day, with an average cost of \$39 per person per month. The Advisory Board recommends increasing Jobs Access by 1,000 people per day, even though this would probably not completely meet the demand. The total additional cost would be \$468,000 per year.

## **Increase the Stability of the Economic Development System**

In order to develop a competitive city, Hartford needs a strong system for economic development. While the inner city has many characteristics that can create advantages for business clusters, it also has characteristics that create disadvantages. Addressing these disadvantages will take concerted effort by a system of economic development organizations working in concert. The economic development system can be thought of as a three-legged stool, represented by business, the community, and the city government. All three legs are present in Hartford, but need to be strengthened.

Hartford 2000, which provides an important channel through which the voice of the community is heard, needs funding for its core staffing and activities. The Hartford Economic Development Commission, which represents the city government, has been established but also needs stable core funding. The corporate community has several important groups working on economic development, such as the Millennium Group, the Growth Council and the Chamber of Commerce. These groups must continue to work together closely to ensure that the economic development process is not fragmented.



Effective and efficient implementation of the recommendations listed in the sections above depends in significant part on these three legs. The Advisory Board strongly urges core funding for Hartford 2000 and for the Hartford Economic Development Commission. This funding should be no less than \$100,000 per year for the two organizations combined. Some of this funding has already been earmarked above. But without a basic level of funding for staff and activities, the Advisory Board's recommendations will not be able to be put into practice.

All of the organizations in the economic development system should take advantage of pro bono assistance wherever possible. Hartford has a rich array of resources in its higher education institutions, its law firms, and its consulting firms. These can be used to supplement the staff and capacities of all economic development organizations. For example, a number of the NRZs have developed partnerships with corporations that provide them with advice and counsel, space for meetings, copying and printing services, and assistance with planning. This is a good model, and the Advisory Board encourages both Hartford 2000 and the members of the corporate community to build similar partnerships between corporations and the remaining NRZs.

The Advisory Board also recommends that all of the economic development organizations try to create multiple “owners” for the economic development process and create visible signs of success so that the process will continue to have autonomy and funding over time.



# VI. RESEARCH OVERVIEW

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## Study Methodology

As noted above, the Advisory Board's recommendations are based on an in-depth study of the Hartford economy, which sought to identify opportunities for business growth in the inner city. The study was based on the economic development approach of the Initiative for a Competitive Inner City (ICIC). ICIC, a national not-for-profit organization founded by Harvard Business School Professor Michael Porter, has served as an advisor to Hartford and the State of Connecticut throughout the project. ICIC's mission is to spark new thinking about economic opportunities in America's inner cities, thereby creating jobs, income, and wealth for local residents. ICIC's approach includes the following components:

- Economic development strategies for inner cities must be market-based — business must be genuinely profitable, without ongoing subsidies or mandates.
- Urban low-income communities are viable markets and business locations rather than social problems.
- To prosper, inner cities must be integrated into the regional and national economy.
- The disadvantage of inner cities as business locations must be addressed directly, not offset by subsidies.
- The private sector within inner cities and outside it must play the leading role if economic development is to be sustained.

The study methodology had four main phases:

- 1) **Profile the inner-city business environment.** What is the opportunity for economic development in the inner city?
  - Define study area to focus research efforts
  - Profile the study area (demographics and general characteristics) to identify preliminary competitive advantages and disadvantages
  - Summarize existing initiatives to identify relationship with projects and to leverage existing recommendations
- 2) **Assess business development and growth opportunities.** What is the market opportunity for major business clusters?
  - Compare the study area's performance (e.g., growth, employment) with regional trends to identify prospects for growth or improvements
  - Link the study area business clusters to the wider economy

- 3) **Identify competitive advantages and disadvantages.** What are the opportunities for and barriers to business development and growth in the inner cities?
- Select businesses to interview based on business cluster analysis
  - Interview businesses to identify opportunities for and barriers to growth
  - Conduct economic research on key drivers for cluster growth
  - Analyze workforce and government environment in context of cluster needs and requirements for growth
- 4) **Develop strategy.** What is the strategy to grow businesses and create a sustainable competitive advantage? What role do the public and private sectors play in achieving this strategy?
- Build consensus on strategies for accelerating the growth of inner-city businesses
  - Develop recommendations to support strategies
  - Create implementation plans
  - Estimate cost and seek funding

Summaries of the findings from each of these four phases are discussed in the following sections. Additional details of the findings are provided in the Preliminary Report from Andersen Consulting to the Advisory Board, dated August 1999.

## Definition of Study Area

The purpose of defining the study area is to provide a clear framework for the research and recommendations. There were two elements of the definition of the study area:

- **Demographic Assessment**
  - If an individual census tract met at least two of the following three criteria, the area was classified as within the study area:
    - Median household income (MHI) is less than 50 percent of the MHI of the labor market area (LMA)
    - Unemployment rate is greater than 150 percent of the LMA
    - Poverty rate is greater than 150 percent of the LMA
- **Local Expert Discussion**
  - In addition to the demographic assessment, the Project Managers solicited input from local experts (e.g., city government, Department of Economic and Community Development), the Research Team, and Advisory Board to further describe and define the study area.
  - Additional considerations included:
    - Whether to extend geography to areas surrounding Hartford
    - Whether to consider additional criteria, such as population change
    - Whether to exclude areas that are predominantly middle income or have few residents

A map of the final boundaries of the study area can be found in Appendix B.

## VII. INNER CITY BUSINESS ENVIRONMENT

### Demographic and Economic Characteristics

#### *Study Area Resources*

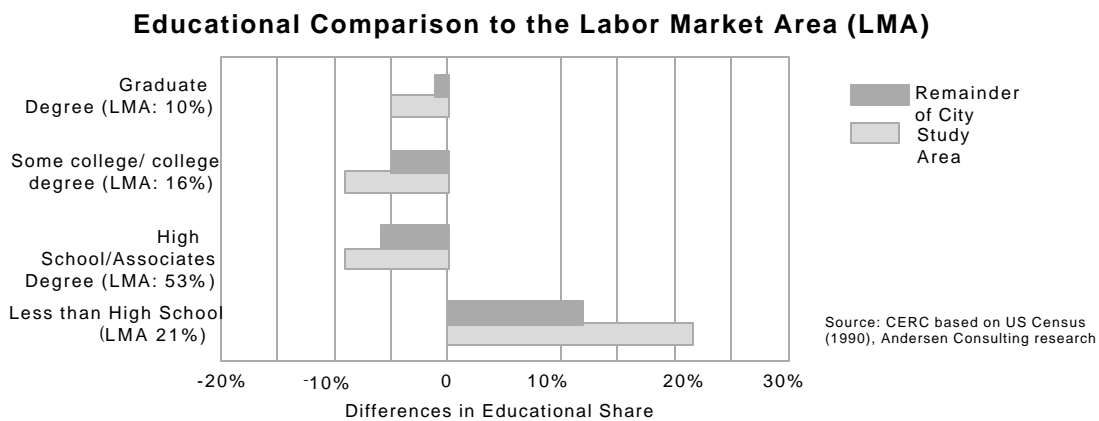
The study area has several resources upon which it can build:

- Significant business activity
  - There are approximately 2,800 businesses in the study area, which employ 56,000 individuals and generate \$3.9 billion in revenue each year.
- Strong consumer base
  - There is an estimated \$532 million in annual buyer power in the study area.
  - The consumers in the study area are located in a geographically compact area, forming a concentrated and readily accessible customer base for local businesses.
- Large, available workforce
  - There are approximately 70,000 working age residents. As with consumers, working age population is located in a geographically compact area, making a readily accessible workforce for businesses located in or near the study area.
  - Approximately 60 percent of the working age population has at least a high school degree.

#### *Study Area Challenges*

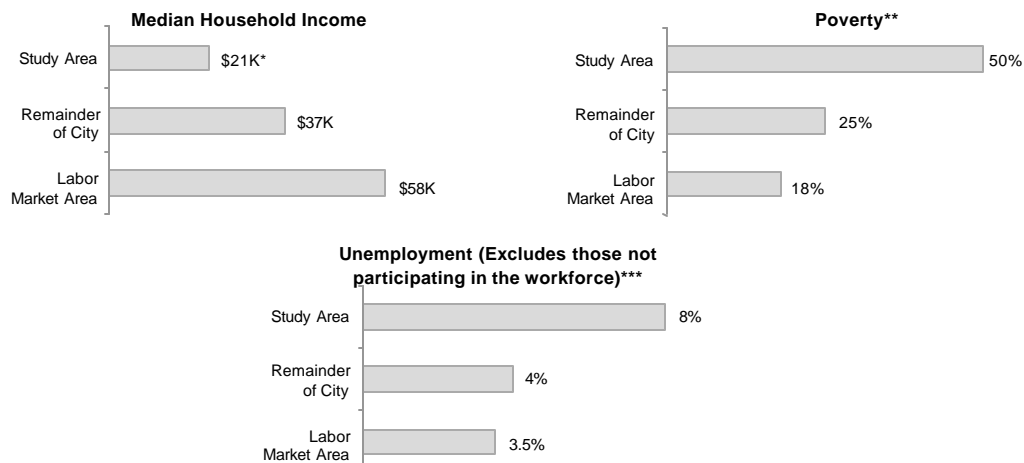
The study area also has a number of significant challenges.

- **Low educational attainment.** A significant portion of the population in the study area has less than a high school diploma, which differs dramatically from the region.



- **Low household income.** The households in the study area have significantly lower incomes, have a higher incidence of poverty, and are more likely to be unemployed than households in the remainder of the city and in the greater Hartford labor market area.

### Demographic Comparison



\*Study area median HH income estimated based on the weighted average of the census tract's MHI.

\*\*Poverty estimated as percentage of households with less than \$20,000 income.

\*\*\*As defined by the Department of Labor, based on number of individuals in the labor force; does not include individuals that are unemployed and not registered in the labor force –understates true unemployment. Sources: Department of Labor (1998); CERC (1998); Andersen Consulting research

### Study Area Opportunity

The study area's resources and challenges come together to create an opportunity.

- **Significant benefit to residents of inner-city business growth.** Approximately 44 percent of the inner-city working age population could benefit from better job opportunities and from bringing employment and participation rates in line with regional levels.

## POTENTIAL IMPROVEMENT IN RESIDENTS' JOBS AND INCOME DUE TO INNER-CITY BUSINESS GROWTH

	Number of Jobs (K)	Percent of Population 16-65	Comments
Improve participation rate	12	17%	Assumes that study area participation of 59 percent improves to 77 percent, the regional average.
Improve unemployment rate	2	2%	Assumes that study area unemployment of 7.5 percent improves to 3.5 percent, the regional average.
Potential improvement: more jobs	14	19%	
Potential improvement: higher wages	17	25%	Identified based on estimated workers that are below \$20,000 income.
Total Potential Improvement	31	44%	

Sources: Department of Labor (1998); Claritas (1998); Andersen Consulting research

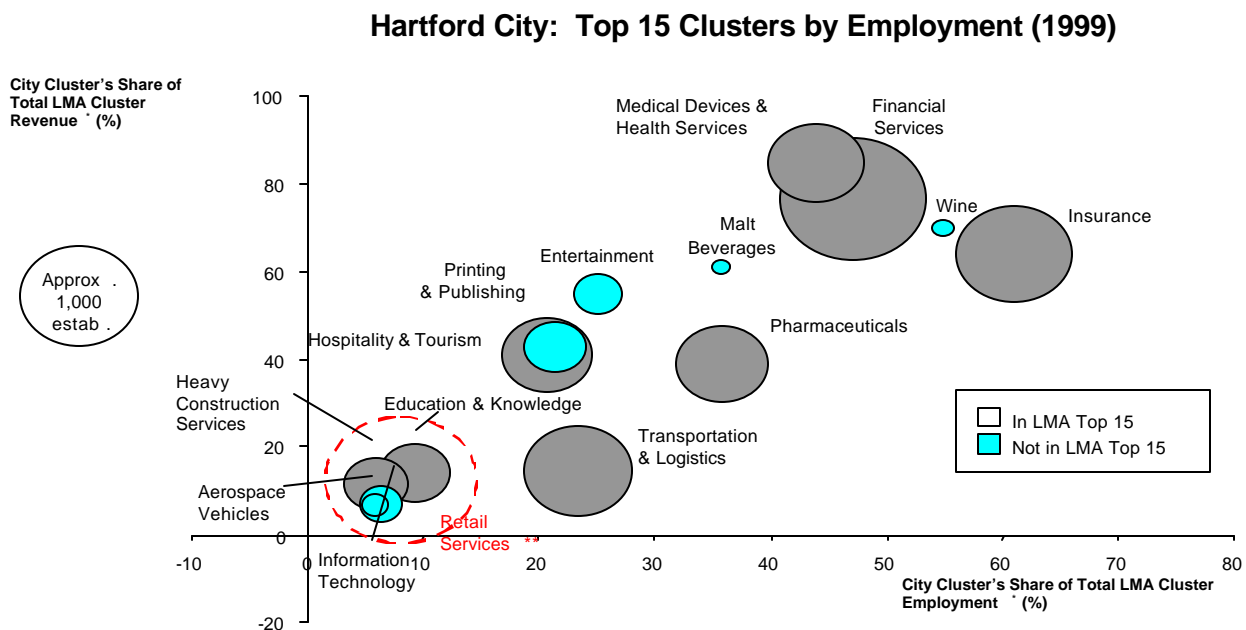
## Key Industry Clusters

A business cluster is a geographic concentration of interconnected companies and institutions in a particular field. Clusters positively impact economic development in three ways -- productivity, innovation, and new business development. Specifically, clusters:

- Increase productivity of companies based in the cluster area by:
  - Improving access to inputs, employees, information, and institutions
  - Creating synergies across businesses
- Drive direction and pace of innovation in industry by:
  - Perceiving and responding to innovation opportunities quickly
  - Rapidly diffusing improvements and innovation
- Stimulate the formation of new businesses by:
  - Perceiving opportunities for new businesses
  - Lowering barriers to entry

An assessment of the portfolio of business clusters in the Hartford region was conducted to identify which clusters provide the most opportunity for business development and growth. The assessment revealed that the region is dominated by the financial services and the medical devices/health services clusters.

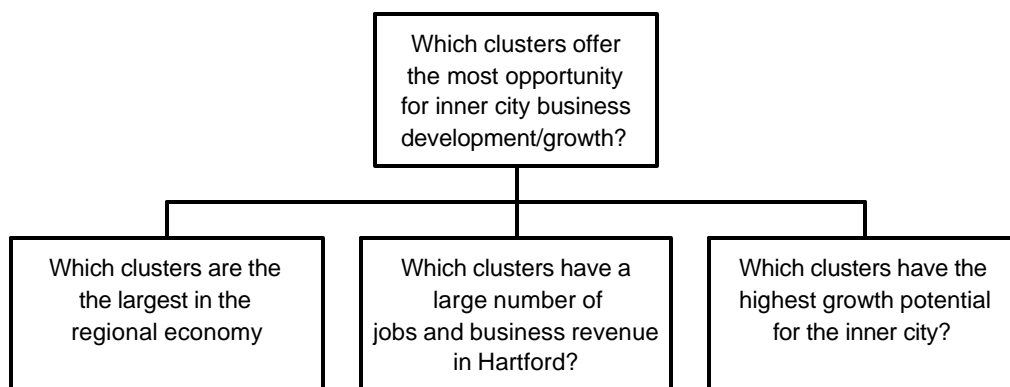
**Size of Clusters in City:** Financial services, medical devices/health services and insurance clusters are significant economic engines of the city. (Provided by Harvard Cluster Mapping Project and ICIC. Data source: Dun & Bradstreet (CERC)).



Source: ICIC and Harvard Cluster Mapping Project

The clusters were selected for in-depth analysis based on three main criteria: the size of the cluster in the region, Hartford's share of cluster employment, and growth potential.

### Cluster Selection Criteria



#### **B**

- Cluster has a larger percentage of total labor market area (LMA) *employment* than other clusters
- Cluster has a larger percentage of total LMA *revenues* than other clusters

#### **B**




























- City has a large share of the regional cluster *employment*
- City has a large share of the regional cluster *revenues*

#### **B**

- Cluster's city and LMA *historical employment trends* reflect strong potential for employment growth
- Cluster provides job opportunities for *inner-city residents*
- Cluster will benefit from *current and future development initiatives*

Five clusters — medical devices/health services, financial services/information technology, retail, heavy construction services, and transportation/import-export — were selected for in-depth research and analysis based on the study assessment. The rationale for choosing these clusters is summarized in the table below. In addition to the clusters noted on the following table, the study also examined issues relating to the development of retail and of small and medium-sized businesses across all clusters, since these are key engines for job growth in the inner city.

## Assessment of Clusters

	Size of the Cluster	Importance of City to Cluster	Growth Potential	Comments
Medical Devices & Health Services*				Significant economic engine in the city/LMA; care delivery (excluding hospitals) has experienced growth
Financial Services*				Major economic engine in the city and LMA; Employment opportunities potentially in health plans and information technology related businesses
Heavy Construction Services				While region experienced significant employment growth, city growth was relatively flat; Downtown development efforts provide potential opportunities
Primary Metal Production**				Although cluster is a significant source of regional revenues, employment trends are declining
Insurance*				Although the city represents a significant share of the regional employment, the cluster has experienced employment declines
Hospitality & Tourism				Primarily flat
Transportation/ Import-Export				Currently not a significant regional cluster; historical growth is relatively flat; Bradley airport may provide opportunities for growth
Entertainment				Cluster does not represent a significant portion of the regional economy
Information Technology				Major information technology businesses that have experienced significant growth are included in financial services cluster

Note: Ranking of top clusters by employment size and growth. Excludes Education & Knowledge Creation, Retail, and Public Administration.

See Appendix for supporting data for each of the three criteria

\* Life insurance overlaps in these three clusters. Health plans overlap in financial services and medical devices and health services

\*\*Processing and usage of primary metals; Includes precision manufacturing related companies.

Source: Andersen Consulting research

# XIII. BUSINESS DEVELOPMENT AND GROWTH OPPORTUNITIES

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## Hartford's Competitive Advantages and Disadvantages

The study team divided its research and analysis on the competitive advantages and disadvantages into two major parts. The first part focused on Hartford in general. Across all clusters, what did business executives see as the primary advantages and disadvantages of doing business in Hartford's inner cities?

To address this question, the study team conducted over 50 interviews with Hartford area businesses. (A complete list of businesses interviewed can be found in Appendix C.) The following characteristics were cited by half or more of the respondents as being advantages:

- Proximity to highways
- Diversity of workforce
- Availability of workforce
- Proximity to customers
- Availability of real estate
- Transportation infrastructure

In contrast, the following factors were cited as competitive disadvantages by half or more of the respondents:

- Perception of crime
- Higher property and business taxes
- Local government not responsive to business needs
- Skills of workforce not matched to job requirements
- Inadequate access to capital

Each competitive advantage and disadvantage highlights potential opportunities for inner-city Hartford business development. This survey suggests that core approaches to leverage Hartford's competitive advantages include:

- Develop industries that require *proximity to customers*
- Identify occupations that require a *diverse workforce*
- Target companies that can leverage the *available workforce*
- Identify opportunities to utilize and market *available real estate*

- Promote and improve upon the *transportation infrastructure*
- Foster development of businesses that depend upon *proximity to highways* to be competitive

Core approaches for reducing the disadvantages of Hartford's inner city as a business location include the following:

- Identify initiatives to ameliorate the *perception of crime* in the inner city
- Reduce the impact of the disparity between Hartford's *tax burden* and that of the surrounding area
- Improve the *local government's* ability to attract and retain businesses
- Improve *workforce skills*, based on cluster needs
- Identify opportunities to improve *access to capital*

The recommendations that the Advisory Board has developed are built from these core approaches and are described in detail in the recommendations section of the report.

The second major part of the research focused in the individual clusters selected for in-depth study. The research findings for each of these clusters are detailed in the following sections.

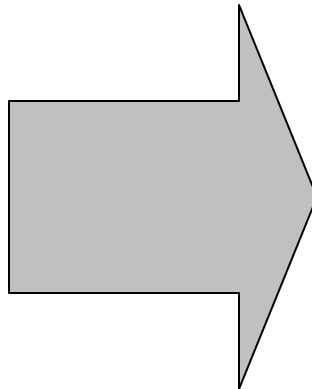
# Financial Services/Information Technology

The financial services/information technology cluster is a leading cluster in the city.

## FINANCIAL SERVICES/INFORMATION TECHNOLOGY CLUSTER DEFINITION

### Cluster Definition

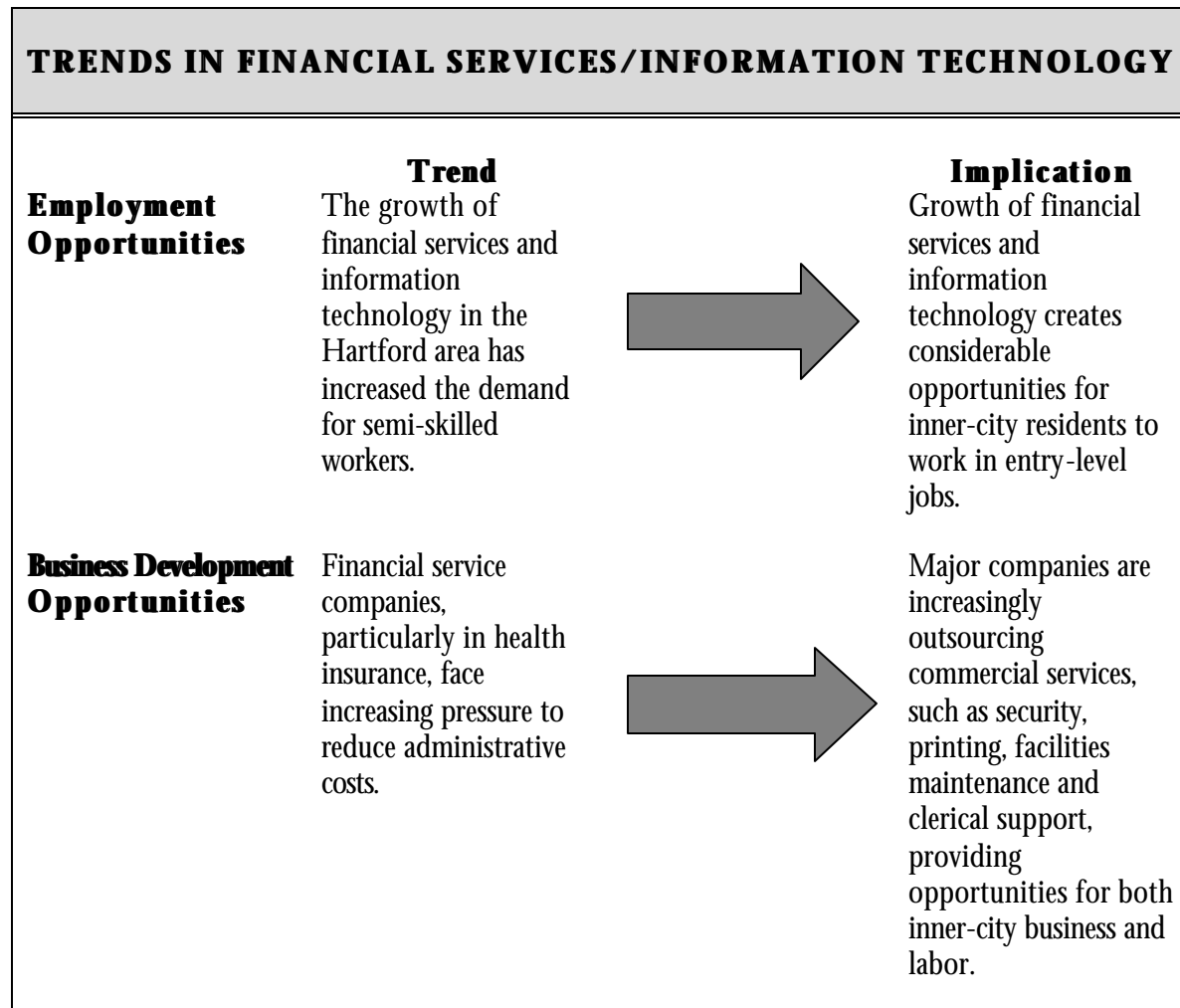
- Insurance providers, including managed care/health insurance companies, life insurance and fire/marine/casualty insurance
- Financial institutions, including commercial banks, brokerage institutions and savings institutions
- Supporting services, such as information technology, business services data processing and accounting



### Rationale for Targeting

- The financial services cluster is a significant economic engine of the city. Approximately 50 percent of the total number of financial services-related jobs in the region are in the city.
- City may have opportunity to realize growth that information technology businesses in the region have experienced (average annual change of five percent for LMA vs. seven percent for the city).
- Strong support from the Millennium project may provide opportunities to further demand-driven training programs.

Recent trends in financial service/technology cluster have implications for employment and business development opportunities in the inner city.



This section first addresses employment opportunities in this cluster, and then turns to opportunities for business growth in the commercial services firms that serve this cluster.

## ***Employment Opportunities***

The following low- to semi-skilled financial services/information technology related occupations are growing within the region.

<b>SELECTED LOW- TO SEMI-SKILLED JOB TRENDS: HARTFORD REGION</b>					
		<b>Estimated # of Jobs, 2006</b>	<b>Estimated Growth Rate</b>	<b>Estimated Annual Opening</b>	<b>1997 Hartford Region Hourly Wage Range</b>
Jobs typically require short term on-the-job training (no more than 1 month)	Adjustment Clerks	2,240	32.4%	71	\$11.09-\$15.17
	Bill & Account Collectors	1,090	22.5%	28	\$10.84-\$14.77
	Customer Service Representatives	720	39.0%	31	\$10.79-\$17.80
	Receptionists & Information Clerks	4,950	17.2%	158	\$8.55-\$11.58
Require 1-12 months of on-the- job training	Security guards	5,020	14.9%	147	\$6.75-\$9.63
	Sales Agents, Business	1,260	21.3%	50	\$13.18-\$21.23
	Sales Agents, Advertising	800	5.1%	50	\$7.71-\$21.35
		<b>16,080</b>		<b>510</b>	

Sources: State of Connecticut Department of Labor Statewide and Regional Jobs Forecast 2006; 1997 Connecticut Occupational and Employment Wages; Andersen Consulting research

## ***Benefits***

Entry-level jobs in financial services and information technology can provide direct and immediate benefits to inner-city residents by providing the following:

- Opportunity to begin career in financial services
  - Positions such as adjustment clerks, bill and account collectors, and customer service representatives are entry-level jobs that have clear career paths into the financial services industry.

- Minimum skills/training required
  - The majority of these positions require only basic job-readiness skills.
  - High school diploma or equivalent is preferred but not required.
  - On-the-job training is provided and typically lasts four to eight weeks.
- Ability to earn a “living wage”
  - Hourly wages are well above minimum wage levels
  - Employees can support themselves and may also qualify for benefits

### ***Barriers to Financial Services Jobs***

Currently, the following several barriers often prevent inner-city residents from being hired or retained in these positions:

- Lack of basic job readiness skills
- Limited understanding of career path, culture and skills required
- Lack of transportation

### ***Opportunities to Alleviate Barriers***

There are several options to alleviate the barriers to financial services jobs:

- **Lack of basic job readiness skills**
  - Provide additional opportunities for remedial, demand-driven job readiness training, including skills such as how to interview and prepare a resume, GED training, corporate culture, and industry-specific requirements
- **Limited understanding of career path, culture and skills required**
  - Create/expand on existing school-to-career programs
  - Tighten linkages between community groups and corporate hirers to educate each other regarding issues such as job qualifications, corporate/urban culture, and career paths
  - Combine human resources and community outreach functions
- **Lack of transportation**
  - Expand access to public transportation

Recommendations that build on these approaches are contained in the recommendations section of the report.

## Commercial Services

Commercial services companies in Hartford have been growing rapidly, largely as a result of outsourcing by major insurance companies.

<b>GROWTH OF COMMERCIAL SERVICES</b>				
<b>Selected Sectors</b>	<b>Employment</b>		<b>Establishments</b>	
	<b>1998 Total</b>	<b>% Increase 1994-98</b>	<b>1998 Total</b>	<b>% Increase 1994-98</b>
Business Services	4,439	28%	880	35%
Security Systems	265	45%	13	38%
Help Supply Services	1,389	61%	114	39%
Equipment Rental & Leasing	624	24%	108	8%

Source: Andersen Consulting research

### ***Advantages of Commercial Services***

The commercial services sector holds many opportunities for inner-city entrepreneurs. It presents the following advantages:

- Proximity to customers is a competitive advantage.
- Commercial services firms can be tightly linked to growing companies in the area.
- Commercial services typically require low- to medium-skilled labor, with minimal amounts of training required.
- In services such as facilities maintenance, barriers to entry are low due to low fixed costs, low buyer loyalty, and frequently renegotiated contracts.

### ***Barriers to Inner-City Entrepreneurs***

While this sector offers a number of advantages, many inner-city entrepreneurs face significant barriers when trying to start their own businesses in the commercial services sector. For example, they may:

- Lack sufficient capital to get the business up and running
- Have limited skill/capabilities in the industry
- Lack strong brand name and relationships with corporate customers, who demand a strong track record and high quality when awarding contracts
- Lack adequate capacity to serve mid-sized to large customers

## ***Opportunity to Overcome Barriers***

Franchising is an important strategy for helping inner-city entrepreneurs overcome many of the barriers they typically face when starting a commercial services firm. Franchising can provide the following types of assistance:

- **Training:** Employee training and management education
- **Business Development Assistance:** Help in securing new accounts, telemarketing support, and direct mailings
- **Financing:** Start-up and growth funding, as well as cash flow assistance
- **Purchasing Support:** Initial equipment, “start-up” kits, and discount purchasing of supplies
- **Back Office Support:** Customer call center, insurance and bonding, billing and collection assistance, and scheduling support

Franchising is not an appropriate solution for every inner-city entrepreneur, nor for every inner-city location. In some cases, expert business advice delivered directly to independent business owners is the most important tool. In others, connections to markets or to capital sources can be the most important tools. The recommendations sections above provide additional details.

## **Retail**

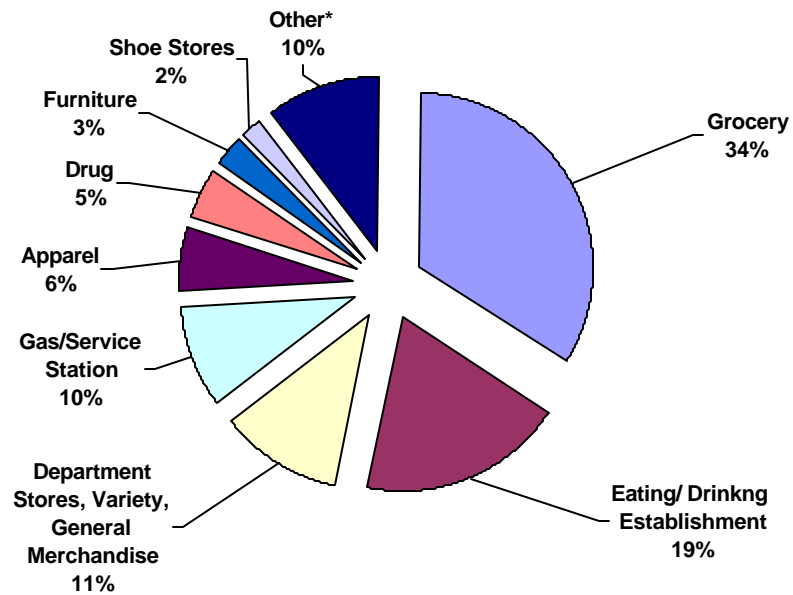
The primary focus of the retail assessment is to address the unmet local demand of city residents. The assessment showed that local retail business in Hartford is substantial and provides potential opportunities for business development and growth.

### ***Rationale for Targeting Retail***

- Retail is a significant part of Hartford’s economy. Approximately 1,000 retail businesses in Hartford employ 6,000 people.
- Although these jobs are not high paying, they provide an entry into the job market and an opportunity to learn basic work skills.
- Small business successes illustrate potential for entrepreneurs in this business segment.

- Additional retail stores can leverage underutilized land.

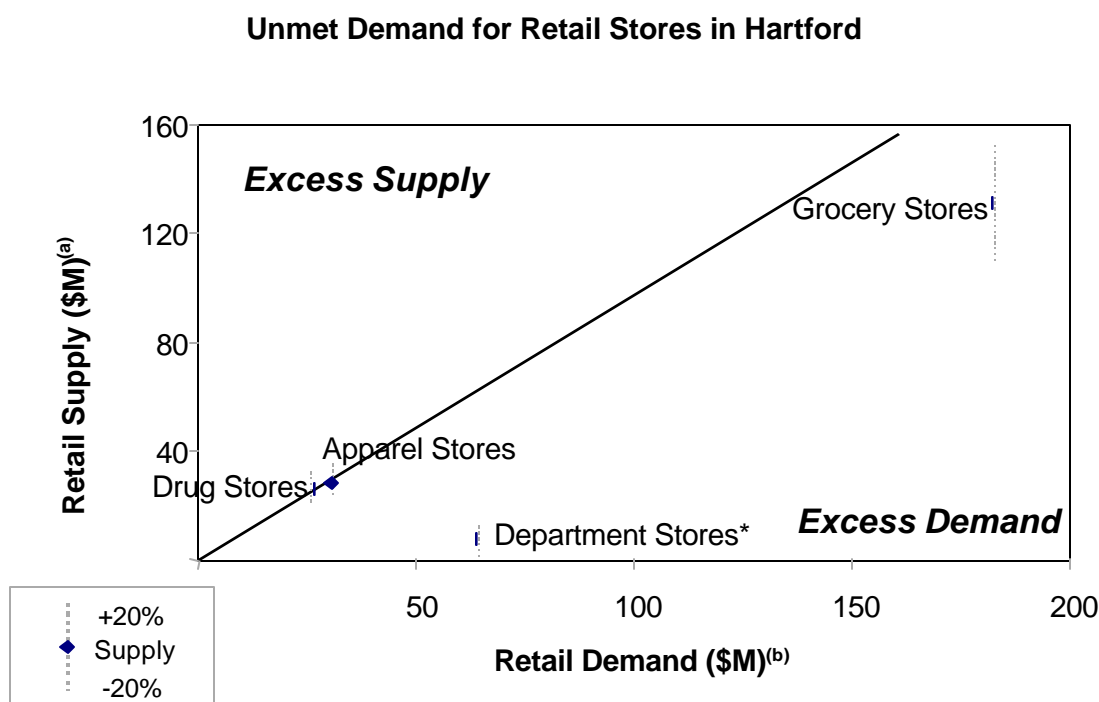
### City Residents' Retail Spending by Selected Store



Sources: Claritas Retail Clout (1998); ICIC/BCG "The Business Case for Pursuing Retail Opportunities"; Andersen Consulting research

\*Other includes home furnishing, household appliances, hardware, retail nursery/lawn, radio/TV/music stores, building material and supply, auto supply.

City residents go outside the city for retail shopping. An opportunity to capture this demand, which is primarily in grocery stores and department stores, is estimated at \$80 million to \$150 million.



<sup>(a)</sup>Supply calculated as number of establishments (1999 Dun & Bradstreet) times sales per establishment (1992 Economic Census, adjusted for changes in business size mix from 1992 to 1999); Number of establishments adjusted based on retail listing provided by SAMA; Does not include any projects under development

<sup>(b)</sup>Retail demand based on Claritas Retail Clout, estimate based on 1997 Consumer Expenditures Survey and demographic profile. Assumes that local retail stores primarily serve local residents.

\* Department stores includes variety and general merchandise

ESTIMATED UNMET DEMAND		
Sector	Current % <sup>(c)</sup>	Unmet Demand \$M <sup>(d)</sup>
Grocery Stores	36%	25-77
Department Stores	12%	54-58
Apparel Stores	6%	0-8
Drug Store	5%	0-6

<sup>(c)</sup>Includes the top expenditures by store, based on Claritas Retail Clout; Excludes eating establishments (serves commuting workforce) and gasoline/service stations.

<sup>(d)</sup>Defined as demand less supply; Estimate based on supply +/- 20%.

## ***Benefits of Fulfilling Unmet Retail Demand***

The Advisory Board believes it is important to attract new retailers and to help current ones expand. Significant portions of inner-city Hartford are filled with boarded-up and vacant commercial properties, even while research shows there is untapped demand in these neighborhoods. When attracting new retailers, the Advisory Board felt that Hartford should focus its attention on retailers that will complement those already located in the city and fill holes in the current retail marketplace.

Unmet retail demand can be met by helping local business owners expand their stores and attracting new stores run by major retail chains. All stakeholders, including city residents, major retail chains, and local business owners can benefit. The list below indicates the way in which each stakeholder can “win.”

- City residents
  - Increased employment opportunities
  - Competitive pricing and improved product offerings
  - Stabilizing effect on inner-city neighborhood
- Major Retail Chains
  - Growth opportunity in a large, under-served market given over-capacity and intense competition in traditional suburban markets
- Local Business Owners
  - Business development and growth by responding to the needs of the community by creating niche markets (e.g., Latino markets)

## ***Developing a Comprehensive Retail Development Strategy***

The first step in increasing retail supply is to develop a comprehensive retail development strategy for each inner-city neighborhood. Retailers evaluate several factors when determining whether to locate in a particular site. These factors include unmet local demand, plot size available for development, traffic patterns, environmental condition of the plot, unutilized land which can be made available for parking, access to transportation, and income base. To facilitate the retail development process, community developers need to have current and historical data for these factors.

In addition to these considerations, the most viable type of retail for a given area varies depending on the area's current business portfolio and land availability. The three most typical types of retail that can be developed are:

- Convenience retail
  - Serves residents within a half-mile area
  - Employs people from the surrounding half-mile area
  - Viability dependant upon number of non-resident vehicles that pass through the target area thoroughfare at rush hour
  - Typically utilizes small plots of land that are on main roads and intersections

- Example: Dunkin' Donuts is convenience retail. It serves the local population, as well as commuters passing by in the morning. Dunkin' Donuts always locates on the “A.M.” side of the road to make it convenient for people to stop in on their way to work
- Commercial services
  - Viability depends on the number of businesses within a 10-minute drive of the location
  - Utilize SIC classification of businesses to determine relative demand for different types of commercial services
- Destination retail
  - An “anchor,” such as a sizable grocery store, retail pharmacy or major national chain
  - Attracts customers and employees from a much broader area
  - Requires large, contiguous pieces of land for both the store’s “footprint” and adequate parking; locations that have small, fragmented plots available for development are not viable locations for destination retail

With this framework in mind, the neighborhood’s retail development strategy can be created. The Advisory Board recommends that the Hartford Economic Development Commission (HEDC) oversee the creation of the neighborhood retail development strategies. The Advisory Board further recommends that the HEDC consider utilizing a methodology developed by Boston Advisors, an affiliate of ICIC. This methodology identifies anchor and non-anchor businesses and helps community development organizations create successful development strategies on a neighborhood level. The methodology begins with developing a “portfolio” of existing businesses in a given area, then plotting them by share of employment, revenues, and growth. This exercise is useful because it creates an extensive data set, and helps community developers be better informed about the economic environment in which they are working, and the feasibility of various strategic options.

The methodology is also useful because it segments the local businesses into anchors, non-anchors, and under-utilized anchors. Anchors are typically businesses that have large “trade areas” (i.e., attract revenue from outside the immediate area), and typically have a large share of the area’s income and employment. Major supermarkets or retail outlets, or a unique local asset such as a museum or zoo, are typically anchors. Non-anchors are smaller businesses that have a small trade area and a relatively small share of the local economy. Small commercial services, such as laundries and hairdressers, are typically non-anchors.

Under-utilized anchors have the potential to be anchors, but do not currently realize their potential. The Franklin Park Zoo, long neglected in inner-city Boston, is representative of an under-utilized anchor. With strategic analysis and managerial advice, the zoo has begun to realize its full potential, tripling attendance and doubling revenue.

Once the community has developed its business portfolio and identified its anchors, non-anchors and under-utilized anchors, it can then begin to assess the feasibility of various strategic options.

## ***Barriers to Inner-City Retailing***

While there is clear evidence of the many opportunities for successful retail in the inner-city areas, there are specific barriers in the Hartford area. Business interviews indicate that the following issues are prevalent in Hartford:

- Perception of crime
- Concerns about the costs of operations and security
- Inadequate access to capital
- Labor force not matched to job requirements

## ***Opportunities to Alleviate Barriers***

A comprehensive retail development strategy should include specific approaches to reducing barriers to expanded retail activity, such as the following:

- **Perception of crime**
  - Develop strategies for increasing overall traffic to create an environment that is perceived as safer. Such strategies could include developing anchor stores or malls.
  - Improve lighting, signage, and facades.
  - Create Business Improvement Districts that can hire staff to control litter, provide escorts.
- **Concerns about costs of security and operations**
  - Develop case studies of best practices to provide specific examples of how companies that are thriving in inner-city locations have addressed these issues.
- **Inadequate access to capital**
  - Increase the supply of capital; provide incentives for investment in inner-city locations.
- **Lack of basic job readiness skills**
  - Provide additional opportunities for remedial, demand-driven job readiness training, which includes skills such as how to interview and prepare a resume, GED training, corporate culture and industry specific skills.

Detailed recommendation for how to tap unmet retail demand can be found in the recommendations sections above.

# Heavy Construction

The heavy construction cluster is a significant part of the Hartford economy. Heavy construction has been growing rapidly in the Hartford region, and proposed downtown development will create even more activity in the industry.

## ***Rationale for Targeting Heavy Construction***

- The city may be able to enjoy growth experienced by the region (average annual change\* of eight percent for labor market area vs. flat growth for city).
- Current development projects related to downtown tourism/entertainment (e.g., Adriaen's Landing) and housing may result in significant construction opportunity.
- With approximately 64 percent of the jobs in semi-skilled areas\*\* , this cluster may provide opportunities for employing inner-city residents.
- City residents can be trained in construction-related jobs. This effort is currently being facilitated by the Millennium Group and Co-Opportunity.

\*Based on 1994 and 1999 Dun & Bradstreet data

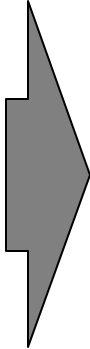
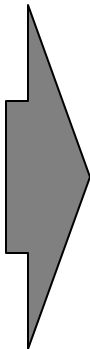
\*\*Semi-skilled jobs defined as the following: administrative support; service, precision production, craft and repair, machine operators, assemblers and inspectors; transportation and moving material; handlers, equipment cleaners

Source: Department of Labor, Population Survey

<b>HEAVY CONSTRUCTION CLUSTER OVERVIEW</b>			
<b>Segment</b>	<b>Hartford Region # of Businesses</b>	<b>Hartford Employment (K)</b>	<b>Description</b>
Plumbing, heating and air conditioning	1,955	6,534	Contractors specializing in plumbing, heating, air conditioning and sprinklers
Electrical Work	1,598	6,047	Contractors specializing in electrical work, computerized controls, computer installation and burglar alarm systems
Special trade contractors	408	1,981	Decontamination services, on-site welding, building site preparation, fence construction, and parking facility equipment and maintenance
Painting and paper hanging	352	1,080	Interior and exterior residential painting, commercial painting and wall covering
Elevators and moving stairs	3	1,000	Elevators and escalator equipment, installation and maintenance
All other	1,211	10,075	
<b>Total Cluster</b>	<b>5,609</b>	<b>27,931</b>	

Sources: Department of Labor; Dun & Bradstreet; ICIC Cluster analysis; Standard & Poor's Industry survey; Team analysis; Andersen Consulting research

The structure and trends in the industry have several implications for the inner-city economy.

<b>STRUCTURE AND TRENDS OF THE CONSTRUCTION INDUSTRY</b>		
	<b>Industry Structure/Trend</b>	<b>Implication</b>
<b>Employment Opportunities</b>	<ul style="list-style-type: none"> <li>Public projects, particularly for the City of Hartford, include requirements for local labor.</li> <li>Proposed downtown development projects could include local residency requirements for local labor.</li> </ul>	 <ul style="list-style-type: none"> <li>Currently, there is strong demand for local skilled labor, and demand is expected to increase if downtown development projects move forward.</li> </ul>
<b>Business Growth Opportunities</b>	<ul style="list-style-type: none"> <li>Public projects typically require that a certain amount of work be completed by minority contractors.</li> <li>Downtown development projects may also have minority contractor participation requirements.</li> </ul>	 <ul style="list-style-type: none"> <li>Currently, there is strong demand for minority contractors in Hartford. This demand is expected to increase if downtown development projects move forward.</li> </ul>

With the anticipated downtown developments, the construction cluster may provide significant opportunity for inner-city business growth. Whether or not Adriaen's Landing moves forward, there is currently strong demand for skilled construction labor in the Hartford region.

This section first discusses the employment opportunities, then turns to the business growth opportunities.

## ***Employment Opportunities***

<b>SELECTED MODERATELY SKILLED JOB TRENDS: HARTFORD REGION</b>					
		<b>Estimated # of Jobs 2006</b>	<b>Estimated Growth Rate 1996-2006</b>	<b>Estimated Annual Openings</b>	<b>'97 Hartford Hourly Wage Range</b>
Require more than 12 months of on-the-job training and classroom experience	<b>Heating, air conditioning &amp; refrigeration mechanics</b>	1,600	24.8%	61	\$14.81-19.12
	<b>Carpenters</b>	3,350	12.0%	90	\$13.86-19.68
	<b>Electricians</b>	2,470	9.9%	71	\$14.23-18.86
	<b>Plumbers, pipe fitters &amp; steam fitters</b>	1,980	10.1%	50	\$15.06-21.54
Requires 1-12 months of on-the-job training	<b>Painters &amp; paper hangers</b>	2,000	13.9%	61	\$7.89-17.47
	<b>Total</b>	<b>11,400</b>		<b>333</b>	

Sources: State of Connecticut Department of Labor Statewide and Regional Jobs Forecast 2006; 1997 Connecticut Occupational and Employment Wages; Andersen Consulting research

Inner-city residents could pursue careers in construction through two possible paths: union and non-union.

Union	Non-union
<ul style="list-style-type: none"> <li>• Provides on-the-job training and benefits</li> <li>• Strong network of skilled craftsmen and contractors</li> <li>• Have high standards for hiring into apprenticeships</li> </ul>	<ul style="list-style-type: none"> <li>• Lower skill requirements for entry-level jobs</li> <li>• Less job security and often less structured career path and training</li> <li>• Typical point of entry into the construction industry for minorities</li> <li>• Enables workers to gain basic skills in a less structured environment</li> </ul>

### ***Barriers to Construction Industry Careers***

- Lack of basic job readiness skills
- The journeyman-to-apprenticeship ratio limits the number of available union apprenticeships
- Lack of transportation

### ***Opportunities to Alleviate Barriers***

- Provide/expand upon demand-driven training programs. These programs are working well in construction. They can be expanded and connected to remedial job readiness and job retention programs.
  - Use nonprofit organizations to provide on-the-job skill development as well as remedial job readiness
  - Ensure the success of the “construction jobs funnel”
  - Reimburse contractors for in-house, on-the-job remedial training
- Investigate the impact of reducing or eliminating the journeyman-to-apprentice ratio in various trades
- Increase awareness of ride share options for Hartford residents
- Explore opportunities to subsidize employer-provided transportation

### ***Business Growth Opportunities***

There has been a significant growth in contractors over the past four years, as demonstrated in the table below. Contracting can provide an entrepreneurial opportunity for inner-city residents who are experienced in a construction craft. There is a strong demand for minority contractors in downtown development already, which could grow significantly if Adriaen’s Landing goes forward.

## Growth of Contractors

Selected Sectors	Employment		Establishments	
	1998 Total	% Increase 1994-98	1998 Total	% Increase 1994-98
■ Heavy construction	475	35%	54	35%
■ Plumbing, heating & air conditioning	6,534	53%	1,955	68%
■ Electrical work	6,047	47%	1,598	64%
■ Special trade contractors	1,981	36%	408	36%

Source: Andersen Consulting research

### ***Barriers to Entry***

Minority contractors often face barriers when trying to enter the industry, including the following:

- They may lack sufficient capital and capacity to service mid-sized to large contracts.
- They may have limited experience and skills in the industry.
- They may lack strong reputation and relationships with developers and majority contractors.

### ***Strategic Options***

The barriers that minority contractors may face can be addressed with the following approaches:

- Develop an effective “minority contractors funnel,” which will train and mentor minority contractors and improve their ability to compete and complete jobs effectively
- Create “contractor incubator,” which can assist contractors with developing their capacity to manage a contracting business

These options will be addressed by the Hartford Enterprise Partnership, as noted in the recommendations section above.

## Transportation/Import-Export

The transportation-related businesses are the main segment of the cluster.

<b>TRANSPORTATION/IMPORT-EXPORT CLUSTER SEGMENTS</b>			
<b>Segment</b>	<b>Hartford # of Businesses</b>	<b>Hartford Employment</b>	<b>Description</b>
Airport	1	5,500	Airlines and business associated with Bradley International Airport
Local passenger transportation/Bus	120	3,875	Primarily transportation infrastructure such as ambulance services/school bus companies; also includes limo services
Trucking & Courier Services	287	2,598	Commercial and residential trucking companies
Catalog & mail-order houses	66	2,027	Distributor of catalog and mail-order products; Primarily JC Penney
Direct mail advertising	43	1,772	Includes companies such as Data Mail
General warehousing and storage	80	869	Facilities that offer warehousing and storage of products; Includes Electrocal, Five Star Group
Support services	2,361	13,486	Primarily legal services, engineering services, travel agencies
All other	1,586	13,081	
<b>Total Cluster</b>	<b>4,544</b>	<b>43,118</b>	

Source: Andersen Consulting research

Demand for workers in low- and semi-skilled jobs in the Hartford region offers inner-city residents employment opportunities.

<b>LOW- TO SEMI-SKILLED JOB TRENDS: HARTFORD REGION</b>				
	Est. # of Jobs 2006	Estimated Growth Rate 1996-2006	Estimated Annual Openings	'97 Hartford Hourly Wage Range
Truck Drivers, Heavy	5,720	10.5%	138	\$12.28-17.41
Truck Drivers, Light	5,660	19.4%	168	\$9.81-13.51
Transport & Material Moving Machine Operators	21,110	14.8%	591	\$9.68-17.56
<b>TOTAL</b>	<b>32,490</b>		<b>897</b>	

Source: State of Connecticut Department of Labor Statewide and Regional Jobs Forecast 2006; 1997 Connecticut Occupational and Employment Wages; Andersen Consulting research

Bradley International Airport is a valuable asset that can be capitalized on to fuel business growth. Various efforts are underway to increase passenger traffic at Bradley Airport, including facility upgrade and expansion. DECD and the Department of Transportation have begun to explore opportunities to increase air cargo traffic. The foreign trade zone in Windsor Locks can spur demand for import and export activity.

Recommendations on how to link transportation strategies to the development of opportunities for the inner city are discussed in more detail in the recommendations sections of this report.

## Health Services/Medical Devices Cluster

The health services/medical devices cluster is a significant economic engine in the region and the city. It includes the management and delivery of health care and the production and usage of surgical and medical devices. This cluster includes the following types of organizations:

- Care delivery providers, such as hospitals, nursing care facilities, home health facilities, dentists and doctors
- Life and managed care/health insurance companies
- Medical supplies and equipment, including suppliers to these businesses

- Services such as research centers and laboratories

### ***Rationale for Targeting***

- Cluster appears to derive a competitive advantage from city location. The city holds a significant share, approximately 45 percent of the regional employment.
- Although there has been significant consolidation and downsizing in hospitals, this cluster is a significant engine of the regional economy.
- There has been historical growth, primarily in health plans and several care delivery areas such as home health care and nursing homes.

**Trends:** Although the industry faces many challenges, Hartford can take advantage of the trends in this segment.

<b>TRENDS IN HEALTH CARE</b>		
	<b>Structure/Trend</b>	<b>Implication</b>
<b>Employment Opportunities</b>	<ul style="list-style-type: none"> <li>• Rise of preventive treatment driven by managed care and medical technology advancements has resulted in growth of outpatient settings</li> <li>• Increasing number of individuals aged 85 and older, the largest users of long-term healthcare services</li> <li>• Recent changes in Medicare reimbursement through Balanced Budget Act, including reduction in home health and long-term care</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in outpatient settings and growth of elderly segment creates employment opportunities for inner-city residents, particularly with home health care agencies</li> </ul>
<b>Business Development Opportunities</b>	<ul style="list-style-type: none"> <li>• Hospitals are the dominant inner-city business</li> <li>• Hospitals face continued consolidation and downsizing that is driven by excess capacity</li> <li>• Health care companies face increasing pressure to reduce administrative costs</li> </ul>	<ul style="list-style-type: none"> <li>• Outsourcing commercial services functions provides opportunities for the development of inner-city supplier businesses</li> <li>• Group purchasing organizations may be a way for hospitals to improve competitiveness</li> </ul>

Source: Andersen Consulting research

Entry-level positions in home health services, hospitals, nursing, and personal care facilities are growing in this cluster and potentially match inner-city residents' skills.

<b>Growing Occupations That Do Not Require Higher Education</b>				
<b>Educational Requirements*</b>	<b>Occupation</b>	<b>Projected National Employment Growth 1996-2002</b>	<b>Est. Growth (annual)-Capital Region**</b>	<b>Hartford LMA Average Wage</b>
<b>Short-term training and experience</b>	Home Health Aides	89%	86%	\$9.44
	Personal and corrective therapy and aides	89%	N/A	\$8.17
<b>Moderate-term training and experience</b>	Physical and corrective therapy and aides	41%	N/A	\$14.40
	Medical Assistants	86%	39%	\$11.19
	Occupational therapy assistants and aides	57%	N/A	\$17.39
	Dental Assistants	41%	19%	\$12.40
<b>Post-secondary vocational training</b>	Licensed Practical Nurses	47%	43%	\$17.30
	Emergency Medical Technicians	54%	15%	\$11.06
	Medical Secretaries	39%	6%	\$12.40

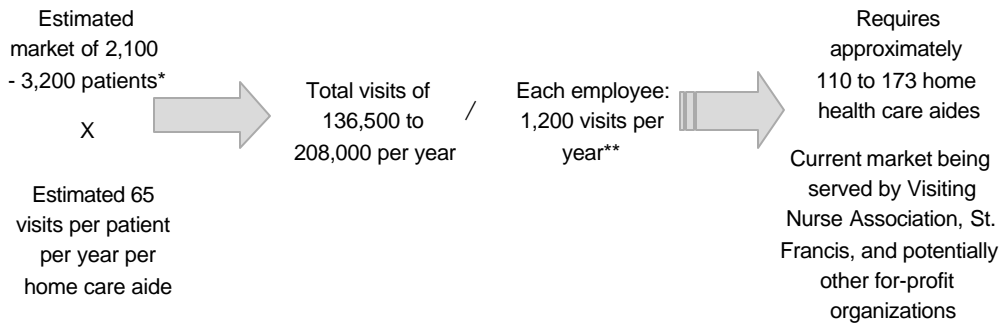
\*Short-term training and experience defined as up to one month of on-the-job experience; moderate-term training and experience defined as one to 12 months of combined on-the-job experience and informal training; long-term training and experience defined as more than 12 months of on-the-job training.

\*\*Number of new jobs annually (1996-2006)

Source: Andersen Consulting research

In Hartford, there is an opportunity to address inner-city home health care needs.

### Inner City Market Opportunity

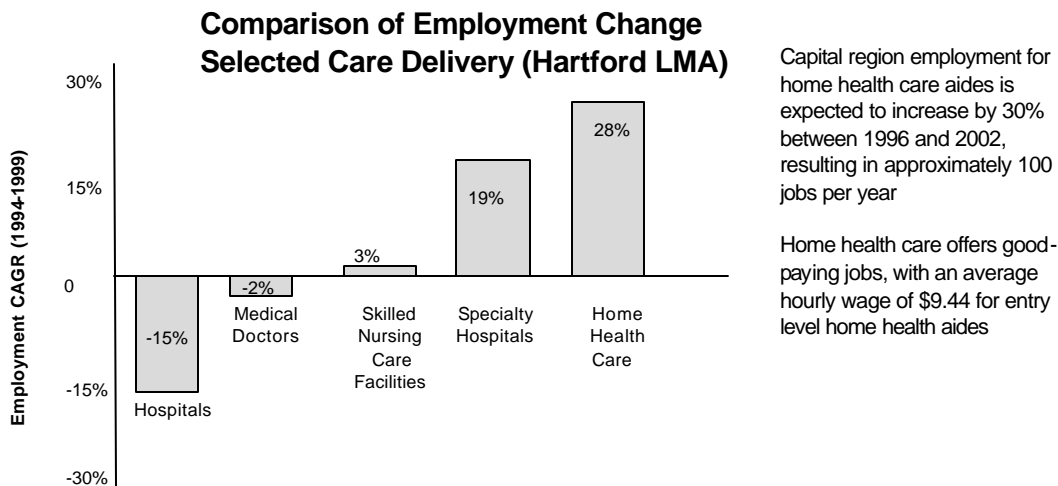


\*Estimate based on the state percentage of home health patients of the total population less than 55 years; 11 percent for population greater than 55 years old

\*\*Estimate based on productivity survey conducted by National Association for Home Care; assumes that a home health employee makes five visits per day; five days per week.

Sources: Connecticut Home Health Association, U.S. Census, National Association for Home Care; Team Analysis; Andersen Consulting research

The growth of home health has resulted in a need for skilled labor throughout the Hartford region.



Sources: Dun & Bradstreet (CERC), Department of Labor

Many Hartford residents are suited to serve this market, although certain disadvantages need to be addressed.

### Home Health Business Perspective: Inner-City Labor Force Strengths and Weaknesses

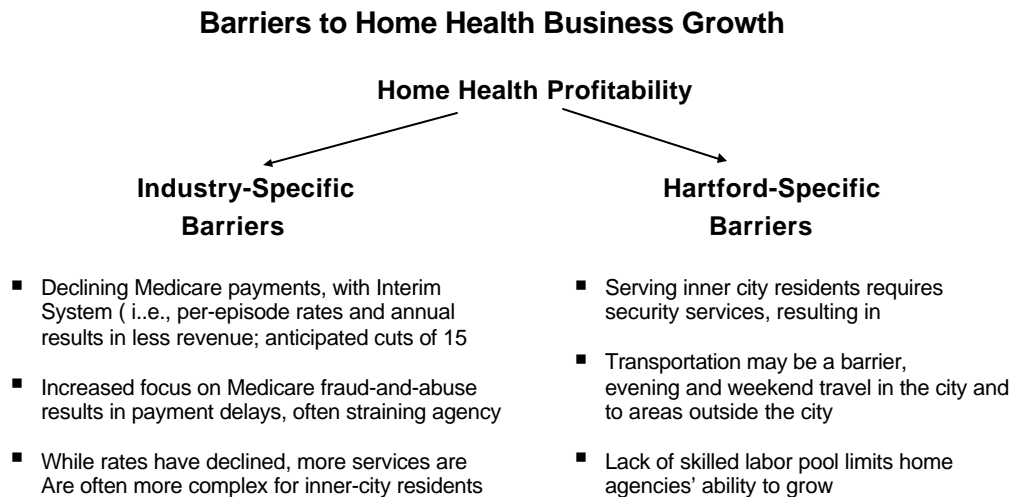
Advantages	Disadvantages
<ul style="list-style-type: none"> <li>■ <b>Availability of workforce:</b> Labor is available to fill jobs</li> <li>■ <b>Bilingual capabilities:</b> Language capabilities facilitate care delivery to Spanish-speaking patients</li> <li>■ <b>Diversity:</b> Local residents assist local elderly</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Lack of skills or experience:</b> Available workers may not be qualified for jobs</li> <li>■ <b>Education:</b> Available workers may lack minimum educational requirements for certain positions</li> <li>■ <b>Transportation requirements:</b> Available workers may lack transportation to jobs</li> </ul>

Home health aide positions pose both advantages and disadvantages to inner-city residents.

### Inner-City Resident Perspective: Advantages and Disadvantages of Home Health Aide Positions

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>■ <b>High demand field:</b> Job openings exist today and are expected to continue</li> <li>■ <b>Low educational requirements:</b> The criteria for one home health agency is home health certification; high school or GED is preferred, but not required</li> <li>■ <b>Technical training is available:</b> Community colleges and non-profit agencies have programs</li> <li>■ <b>Good entry-level pay:</b> Hourly wages start close to \$10</li> <li>■ <b>Local job:</b> Residents have an opportunity to work in their home communities</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Lack of benefits:</b> Some companies do not offer benefits with employment</li> <li>■ <b>Insufficient hours:</b> Some home health aides may not be able to obtain 40 hours of work</li> <li>■ <b>Lack of skills:</b> Inner-city residents may not currently have the skills required</li> <li>■ <b>Lack of transportation:</b> Inner-city residents who do not have cars and depend on the bus system may not have access to transportation</li> </ul>

Home health care businesses face industry-specific barriers, such as tightened Medicare reimbursement, as well as Hartford-specific barriers.



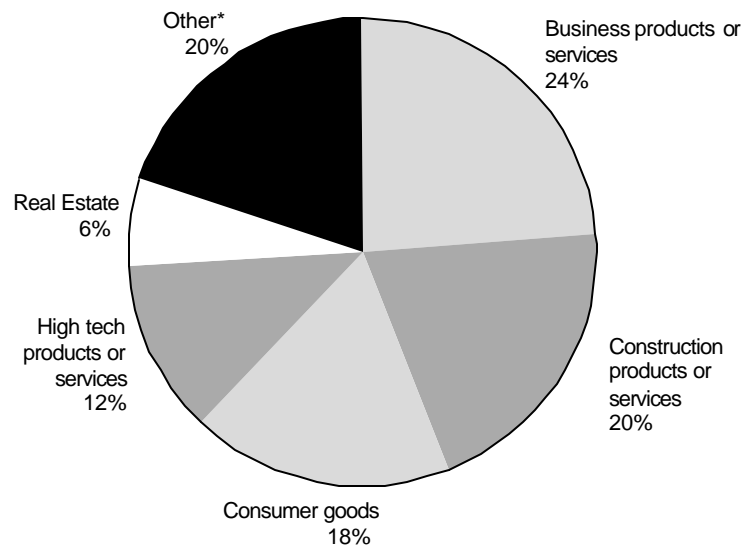
Source: Andersen Consulting research

Additional recommendations on how to assist in the development of business and workforce growth in this cluster are addressed in the recommendations section of the paper.

## **Small Business Development and Capital**

- With potentially 1,500 new businesses, the opportunity for small business development in Hartford's inner city is significant.
- Small businesses are a key source of job creation. Minority-owned firms, in particular, are having an increasing impact on the economy, with higher than average growth rates.
- However, in the Hartford area, the overall level of minority-owned businesses is lower than in comparable cities.
- This is particularly troublesome, as minority-owned companies tend to hire minorities.
- Based on the ICIC – Inc. Magazine *Inner City 100*, a wide range of entrepreneurial businesses can thrive in inner-city environments.

### Composition of the Inner City 100, By Industry



\*Other includes accommodations or food, professional or scientific services, transportation and other.  
Source: "The Inner City 100," Inc Magazine, May 1999

## ***Access to Capital Markets***

One of the key components for small business growth is access to the capital markets. Hartford businesses can approach a wide variety of sources for their financing needs.

Designated Capital Programs for Hartford's Inner City:

- **Public Lenders**

- Connecticut Small Business Reserve Fund Connecticut Development Authority/Urbank
- Federal programs, such as the Small Business Loans (7a)
- Hartford Economic Development Corporation (HEDCo)/Greater Hartford Business Development Center
- South Hartford Initiative

- **Private Lenders**

- Bank Boston/First Community Bank
- People's Bank Community Lending

- **Equity**

- Bank Boston Development Company
- Smith Whiley & Co Vision Fund (proposed)
- **Other**
  - Community Economic Development Fund
  - Hartford Peer Lending Program (proposed)
  - Merchants Revolving Loan Funds (e.g., SAMA, FAMA)
  - Parkville Loan Fund

## ***Key Barriers to Capital***

Although these programs are available, there are several barriers that continue to limit inner-city Hartford's ability to access the mainstream capital markets.

- Lack of management experience and effective business networks
  - Approximately 50 percent of the residents in the Hartford study area have less than a high school education, as compared to the regional average of 21 percent.
  - These individuals often have few business connections. While 50 percent of all U.S. business owners have close relatives in business or are self-employed, only 38 percent of Hispanic-owned business owners and 31 percent of Black-owned businesses have these networks.
- Incomplete credit information
  - Lending institutions often have difficulty assessing credit worthiness due to a lack of traditional income, collateral and credit history among inner-city residents.
- High Transaction Costs
  - High administrative/underwriting costs of analyzing and structuring small business deals create obstacles for entrepreneurial lending.
- Lack of Bilingual Resources
  - High quality bilingual support is not available on a large scale
- Perception of inner-city business environment
  - Business and neighborhood communities often have misperceptions regarding the amount of viable business opportunities in the inner city.

## ***Opportunities to Alleviate Barriers to Capital***

- **Lack of Management Experience.** To complement Hartford's existing programs, access to technical assistance can be increased through the following efforts:
  - Provide full-time line of business support in low cost environment, freeing up capital for growth.

- Leverage pro bono private sector resources, such as training and advisory programs (e.g. specialized industry programs, mentoring programs), as well as field study programs with MBA schools.
  - Create cluster-based networks linking small-to-medium sized firms in similar or related industries. The objective of the networks is to foster the growth of member companies and increase jobs and wages in their inner-city areas. Member companies would collaborate to improve capabilities such as job skills, products, and marketing. Such initiatives would improve the member companies' abilities to compete on a global scale.
- **Credit Information**
    - Provide a mechanism for “bridge loans,” using public revolving loan funds to fill the gap between privately available loans and amount justified by the business plan.
    - Increase the utilization of letters of credit to enable small, high-potential businesses to gain access to capital.
- **Transaction Costs**
    - Subsidize transaction costs (e.g., credit check, closing fees, appraisals) for private sector loans to inner-city businesses; private sector lending continues to bear 100 percent of risk of loan.
    - Utilize peer-lending mechanisms to issue micro loans.
- **Bilingual Business Support**
    - Provide a full line of business support services in low-cost environment.
    - Enrich existing programs with bilingual capabilities.
- **Perception of Inner-city Economic Environment**
    - Market viable inner-city business opportunities to the private sector and venture capitalists.

Specific recommendations proposed by the Advisory Board are described in more detail in the recommendations sections of the report.



## IX. PERFORMANCE METRICS

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The performance of the Hartford Inner City Business Strategy Initiative will be measured by indicators that are directly related to the implementation of its recommendations. Specific performance indicators are as follows:

- **Hartford Enterprise Partnership**
  - Number of businesses served
  - Satisfaction of businesses served
  - Increase in inner-city revenues and jobs among businesses served
- **Work Readiness and Job Retention Programs**
  - Number of clients enrolled in programs
  - Number of clients completing programs
  - Percent of graduates placed in jobs
  - Average placement wage
  - Number of clients still employed at 30, 60, 90, 120, 240, and 365 days after placement
- **Marketing Hartford and Improving Government Services**
  - Successful development of “Connecticut 10” communications program
  - Number of business executives reached with marketing information
  - Improvement in perception of Hartford’s inner city by key executives
  - Improvement in perception of Hartford’s inner city by residents and general public
  - Improvement in speed of permitting process
- **Increasing the Stability of the Economic Development System**
  - Increase in core funding for Hartford 2000
  - Increase in core funding for Hartford Economic Development Commission

The Hartford Inner City Business Strategy Project is an integral part of the economic development effort of Hartford. The Advisory Board recommends that the Hartford City Council and the Hartford Economic Development Commission consider using the following indicators to track the success of the city’s overall economic development effort:

- **Resident Employment**
  - Unemployment rate, employed residents and non-participating workforce
  - Residents employed in Hartford
  - Jobs in Hartford
  - Vacant jobs in Hartford and region
  - Number of jobs, private vs. nonprofit sector
  - Education level of workforce
- **Resident Income**
  - Median household income
  - Income distribution
  - Poverty rate
- **Inner-City Business Growth**
  - Employment growth
  - Revenue growth
  - Business growth
- **Inner-City Entrepreneurship**
  - New businesses established/new incorporations
  - Growth of minority-owned businesses
  - Growth of small businesses' revenue and employment

# APPENDIX A

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## Advisory Board and Research Team Members

### Advisory Board

#### Name

Art Marquardt  
Mustafa Abdul-Salaam  
Rudy Arnold  
Linda Campanella  
Ronald Dunson  
Chris Hall  
William Kaufmann  
Peter Kelly

Max Kothari  
Karen Lewis  
Carlos Lopez  
Julio Mendoza  
David Morin  
Michael Peters  
Fran Reale  
George Scott  
Patricia Spring  
Richard Weaver-Bey

#### Organization

President & CEO, CTG Resources  
Smith-Whiley & Company  
Attorney at Law, Arnold & Associates  
Senior Vice President-Operations, Trinity College  
President, Black Chamber of Commerce  
Hartford Foundation for Public Giving  
Chairman & CEO, Connecticut Economic Resource Center  
Chairman, Updike, Kelly & Spellacy  
Chairman, Metro Hartford Chamber of Commerce  
President, Star Hardware  
North Hartford Initiative/SAND  
President, Luis of Hartford  
Executive Director, Spanish-American Merchants Association  
Barridon Corporation  
Mayor of Hartford  
Wethersfield Avenue Area Coalition  
Hartford West Indian Bakery, Inc.  
Co-Opportunity, Inc.  
President, Greater Hartford Realty Management Co.

### Research Team

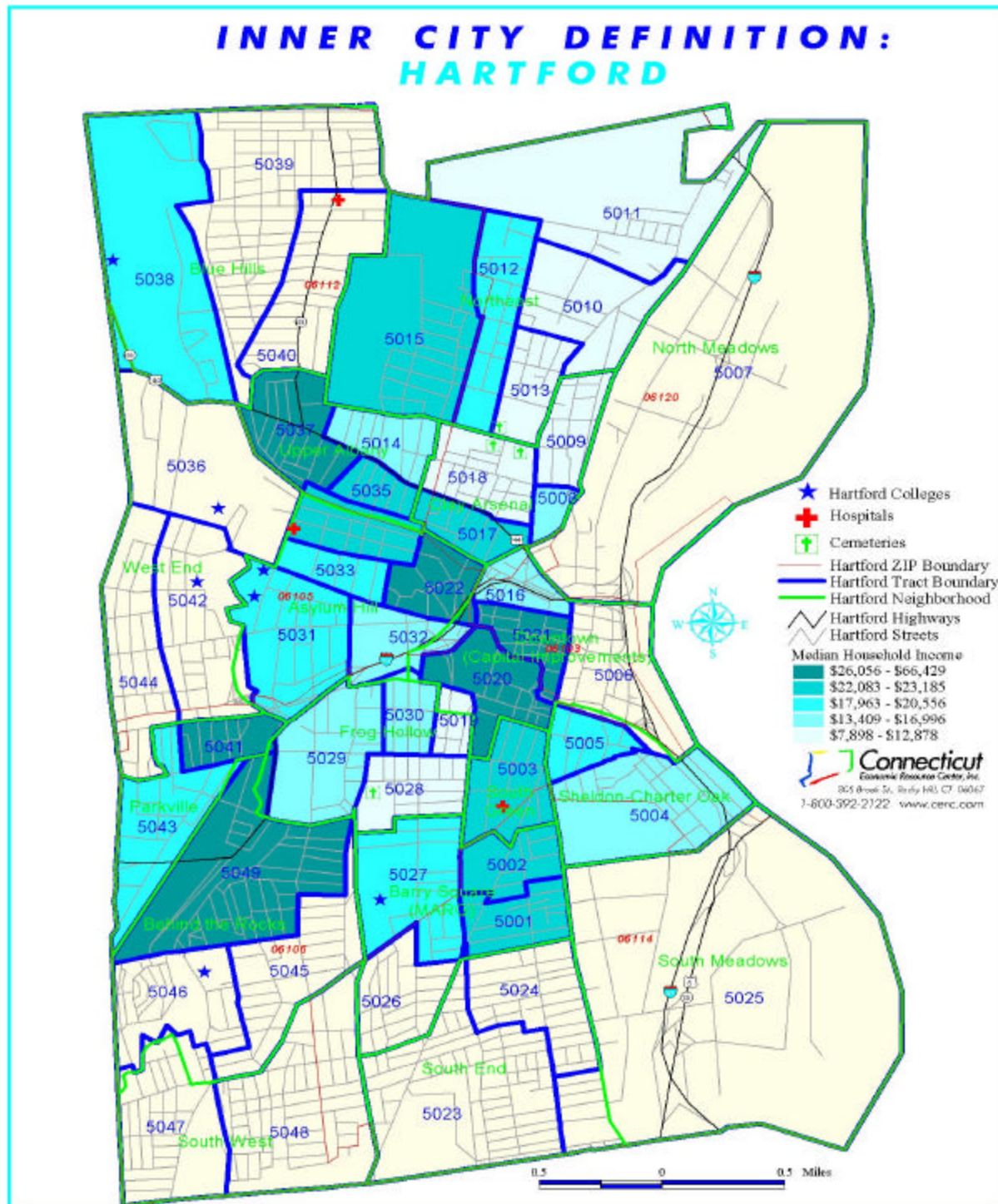
Murat Arik  
Jeff Blodgett  
Jennifer Cassidy  
Luis Cologne  
Joel Corona  
Philip Duke  
Heather Espinosa  
Rex Fowler  
Frank Lord  
Michael Macionus  
Steve McGee  
John McKenna  
Jim Murkette  
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Jim Stodder  
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University of Connecticut  
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Inner City Business Insights Team  
Inner City Business Insights Team  
University of Connecticut  
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Project Manager, Andersen Consulting  
South Hartford Initiative  
Inner City Business Insights Team  
Connecticut Economic Resource Center  
Connecticut Economic Resource Center  
Inner City Business Insights Team  
Citizens Research & Education  
Department of Economic & Community Development  
Department of Economic & Community Development  
Rensselaer Polytechnic Institute  
Inner City Business Insights Team  
Citizens Research & Education  
Project Manager, Andersen Consulting



# APPENDIX B

## Map of Study Area





# APPENDIX C

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## Major Interviews Conducted

### ***Construction***

Associated General Contractors  
Building Trades Union  
CCEDA  
Growth Council/Millennium Project\*  
Minority Contractors Group\*  
Naek Construction  
Newfield Construction  
Richard Pearson, Construction Jobs Initiative  
Surety Business Advisors  
Wentworth Construction

### ***Financial Services/Information Technology***

Aetna  
Cigna\*  
Hartford Life  
Mass Mutual Life Insurance\*  
Phoenix  
United Healthcare\*

### ***Health Care***

Avery Heights Village  
Hartford Hospital  
Senior Health & Wellness Center  
St. Francis Hospital\*  
Visiting Nurse & Home Care Service\*

### ***Major Employers***

Hartford Courant\*

### ***Retail***

ACA Foods  
Adams Food Market  
Arrow Prescription Center  
D&D Grocery  
La Plaza del Mercado  
Municipal Café  
New York Fashions  
Tuesday's  
Walgreens

### ***Small Business Development***

Art Foote Woodworking  
Co-Opportunity/Precision Wood  
Manufacturing  
Equipment Services  
G-Cat  
Landmark Windows  
Q Fashions  
Severance Foods  
Thos W. Raftery

### ***Transportation***

Bradley Development League  
DECD International Division  
Fleming Transportation  
Schiphol Consultants  
Viking Office Products

\*More than one interview was conducted.



# APPENDIX D

## Examples of Economic Development Initiatives

Source: Andersen Consulting research

Selected Initiatives By Type					
<b>Business Development</b> (debt/equity capital, job training)	<ul style="list-style-type: none"> <li>• Inner City Business Strategy Initiative</li> <li>• Growth Council</li> <li>• Millennium</li> <li>• Hartford Peer Lending</li> <li>• Hartford 2000</li> <li>• North Hartford Initiative</li> <li>• Smith Wiley &amp; Company</li> <li>• SHI Loan Fund</li> </ul>		<ul style="list-style-type: none"> <li>• Learning Corridor</li> <li>• Welfare to work tax credits</li> <li>• Hartford Construction Initiative</li> <li>• Merchant Coordinator Program</li> <li>• HEDCO</li> </ul>	<ul style="list-style-type: none"> <li>• Millennium</li> <li>• Hartford College for Women Entrepreneurial Center</li> <li>• Capital Region Workforce Development Board</li> <li>• Growth Council</li> </ul>	<ul style="list-style-type: none"> <li>• State of CT Partnership for Growth</li> <li>• OTC</li> <li>• Building a Competitive Economic Framework Initiative</li> <li>• Regional Workforce Development Boards</li> </ul>
	<ul style="list-style-type: none"> <li>• NRZ Strategic Plans</li> <li>• Hartford 2000</li> <li>• Hartford Neighborhood Revitalization</li> <li>• SINA Cityscape</li> <li>• Housing developments (Charter Oak, Sheldon Oak, Mary Shepherd)</li> </ul>	<ul style="list-style-type: none"> <li>• Downtown Higher Education Place</li> </ul>	<ul style="list-style-type: none"> <li>• Welfare to work programs</li> <li>• Millennium</li> <li>• Christian Activities Council</li> <li>• HART/Urban League</li> </ul>	<ul style="list-style-type: none"> <li>• Millennium</li> <li>• Capital Region Workforce Development Board</li> <li>• Community Renewal Team</li> </ul>	
	<ul style="list-style-type: none"> <li>• NRZ Strategic Plans</li> <li>• Hartford 2000</li> <li>• Hartford Neighborhood Revitalization</li> <li>• Millennium</li> <li>• SINA</li> </ul>	<ul style="list-style-type: none"> <li>• Bushnell Memorial</li> <li>• Bushnell Park</li> <li>• Circuit Line</li> <li>• Civic Center redevelopment</li> <li>• Cutter Site</li> <li>• Renaissance Place</li> <li>• Six Pillars (Adriaen's Landing)</li> </ul>	<ul style="list-style-type: none"> <li>• Dillon Stadium</li> <li>• Millennium</li> <li>• Six Pillars</li> <li>• Greenberg Plan</li> <li>• Hartford Preservation Alliance</li> </ul>	<ul style="list-style-type: none"> <li>• Millennium</li> <li>• Regional Transit Strategy</li> <li>• Capitol Region Partnership</li> <li>• Capital Region Council of Governments (CRCOG)</li> </ul>	
	Inner City	Downtown	Hartford City	Metro Hartford Region	State of Connecticut

